

Japan's monetary policy Sounds of real debate emerge from central bank Page 12



Bavaria

Stoiber's crime clampdown exposes an uglier side Inside Track, Page 9



Marcel Ospet 'We are determined to build UBS's US business'

MBA students' heroes Family values replace the dash for cash Page 10

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## WORLD NEWS

## Japan expected to drop high-profile investigation into financial corruption

Japan appears to be dropping its high-profile probes into financial corruption among bankers and bureaucrats which have tamished the reputations of many prominent titutions and officials in the financial community, including the Bank of Japan and the Finance Ministry. Page 14; Savings system faces loss, Page 4

Hungary uncertain after vote Hungary's political future looked uncertain as neither the ruling Socialist party nor the centre-right Adesz-Hungarian Civic party peared to have secured an overall majority in the third poli since e tall of communism. Page 2

Ortega keeps Sandinista post Daniel Ortega and Tomas Borge, the old guard of Nicaragua's Sandinista leadership, were re-elected to top posts in the party, in a setback for reformers. Page 5

Hong Kong goes to the polls More than half of Hong Kong's voters cast their ballots in the first elections under Chinese rule, despite heavy rains which flooded seven polling stations. Page 4

Aircraft hijocked in Pakistan A Pakistan International Airlines aircraft with 38 people on board was hijacked during a domestic flight in southern Pakistan, it landed at Hyderabad airport, where the three hijackers claimed to be inclans. Page 2

Bid to woo israelis to Golan A campaign to settle more israelis In the Golan Heights will begin today with the sale of state-subsidised homes, the Gotan Heights settlers regional council said. Gingrich bows to pressure, Page 2

Slovakia puts EU entry at risk Slovekie risks an open conflict with Austria over its plans to start up a Soviet-designed nuclear power stavakie's chances of admission to the European Union. Page 2

US continues Saudi bomb probe The US is continuing investigations into a possible tranian link to the 1996 bombing of a military housing complex in Saudi Arabia desorte a Saudi statement that foreign terror-

ists were not involved. Page 3 UK acts on Britons' safety The UK is seeking assurances about the safety of British employees at the Hub power station near Karachi after police had prevented them from leaving the sits. Page 4

Mine expert neurdered British mine clearance expert Christopher Howes, missing in Cambodia for more than two years, was murdered shortly after his kidmap by Khmer Rouge guerrillas, the Foreign Office said.

Zhe's cuts meet problems Chinese premier Zhu Rongii has met opposition over plans to cut the central government's bureau-

crecy by half. Page 4 Army steps up Hutu offensive The Tutsi-dominated Rwandan army said it had stepped up operations to crush Hutu militia hiding in the north of the country. Cholera has killed 31 people in the country's southwest.

43 die la Sri Lankan fighting At least 43 people died in fierce ighting between Sri Lankan troops and Tamil Tiger rebels in the east and north of the country, military officials said.

Colombian rebels sterm prison About 200 leftwing rebels stormed a prison in southwest Colombia, freeing more than 320 convicts and killing two guards and two inmates.

# by selling stake of up to a third

sell up to a third of its shares to itutional investors before the end of the year. The move will be stage towards the privatisation agraed last week in a Brusselsapproved rescue plan. Page 15

atives problems when their courtship began, said SBC chief executive Marcel Ospel. UBS's global equities derivatives management group is said to have been responsible for losses of up to SFr650m (\$444m) in 1997. Page 17; Premier league player, Page 8

newspaper owner, is expected to receive approaches from other suitors after it emerged that Germany's Axel Springer group is con-sidering a bld. Page 15

Berteismann's plenned joint digital pay-TV venture with fellow German media company Kirch looks likely to fall foul of the European Commission. Press reports says they refused to make concessions to enable the plan to get EU competition authority approval. Page 2

want the government to relect proposals that would force them to split some businesses. They say the move could cost £500m (\$835m), Page 6

Cantor Fitzgerald and the New proposals in the hope of winning Chicago futures exchanges. Page 15; Outcry over plan, Page 16

Rank for International Settlements figures show loans by International banks to Asia fell by a net \$4.8bn in the second half of 1997. Lending to South Kores and Thailand felt. s Joans to China. Latin America and eastern Europe ross. Page 2

Bank of New York is keen for more acquisitions after withdrawing last week from its \$24bn bid for Mellon

developing CoreBank, its basic computer pietform for banks. IBM has sold the system in the UK, France and Sweden, but has had difficulties adapting it. Page 16

santo, US life aciences group. is a leading contender to buy Plant Breeding International, the seed business Anglo-Dutch group Unilever put up for sale last month.

China plans to amalgamate provincial telecoms authorities paging operations into a state company, probably a China Telecom subsidiary. The planned company would be allowed to list some

Postal Savings Bureau, Japan's state-owned postal savings system, will probably make a loss this year because of the slump in long-term rates, says a senior offi-

Pulitisu saw consolidated net profits dive 88 per cent to Y5.5bn (\$41,1m). The Japanese computer and semiconductor maker blamed plunging chip prices, Asia's cur-

**World Equity Markets** The latest trends and date from more

# Crédit Lyonnais to launch rescue plan

British electricity supply groups

IBM of the US has hit problems in.

than 50 national markets at a glance

Crédit Lyonnais of France plans to

Swiss Bank Corporation knew of Union Bank of Switzerland's deriv-

Mirror Group, UK tabloid

York Cotton Exchange have modified their electronic trading system approval for their challenge to the

oil refined by Sibneft. Formally, they are expected to say only that the merger will be on hold until the end of the year. But senior officials involved say Bank of the US. Page 16 it is unlikely to be completed.

When the Yuksi merger was announced at the beginning of this year it was seen as heralding a wave of consolidation in the Russian oil sector and a sign that Russia might soon have oil com-Page 16 panies with reserves to rival those of any in the world.

shares to raise funds. Page 3 cial. Page 4

acquiring Amdahl. Page 17

EURO INTEREST RATE CONVERGENCE



This chart shows the official interestrates of the 11 countries that will participate at Europe's

Repo Analysis struyed by Standard 8
Poor's Militi seguet the strongterrin limits expect the strongterrin limits agent the strongterrin limits of converge at a 3.75%
receive Contral Benis at the beginning of

Euro prices, Page 21 O THE FINANCIAL TIMES LIMITED 1998 No.33,607 Chicago · Los Angeles · Tokyo · Hong Kong



## **BUSINESS NEWS**

# Parties set for battle over N Ireland assembly seats

By John Marray Brown, David Wighton and Jimmy Burns

Northern Ireland's political leaders yesterday signalled the start of a bitter battle for seats in the province's new assembly amid continued celebrations at the overwhelming endorsement for the Stormont peace agree-ment in Friday's referendum. David Trimble, leader of the pro-British Ulster Unionist party, said he would be seeking to per-

suade the minority of unionists who voted No in the referendum to back pro-agreement candidates in the elections on June 25. But leaders of the No campaign insisted that a majority of union-ists opposed the agreement and predicted they would have a

By Chrystia Freeland in Moscow

The merger of the Russian oil

companies Yukos and Sibneft,

billed as creating the world's

argest oil group, will be frozen

until the end of the year and will

probably never take place,

according to an executive close to

The companies are expected to

innounce publicly this week the

decision to freeze the merger

plan. The statement is expected

to insist the separation is amica-

ble and that they will continue to

facilities owned by Yukos to sell

o-operate, using downstres-n

Yuksi - as the merged group

was to be known - was at one

time expected to be one of the

bidders for Rosneft, another Rus-

sian oil group being auctioned by

The alliance was also seen as

an important political event, sig-

nalling a partnership between

By Guy Dimmore in Dolovo, Serbia

Serbian security forces have

launched a large offensive

against ethnic Albanian rebels in

the southern province of Kosovo.

leaving a trail of burning villages

as they pound the separatists

The operation has dashed

hopes that US-arranged peace

talks, which began on Friday

between the Serbian government and political leaders of the ethnic

Albanian majority, would stop the conflict from developing into

Plumes of smoke rose from the rubble of farmhouses in the

mainly Moslem village of Dolovo,

close to the front line, just south

of the town of Klina. Dead cattle

On doors and walls of the ruined homes, Serbs had daubed

in black paint the sign of the

cross and the ancient national emblem of four Cyrillic letters

that stand for "Only Unity Saves

Artillery and machine-gun fire

could be heard from the direction

of nearby Jablanica, believed to

be a stronghold of the clandes-

tine Kosovo Liberation Army

a full-scale war.

lay in fields.

with artillery and helicopters.

Mikhail Khodorkovsky, the pow-

the government this week.

the negotiations.

Merger of Russian

oil groups 'unlikely

to be completed'

cent Yes vote in the referendum, politicians on all sides stresses the many obstacles that still lay in the path to a lasting peace. Gary McMichael, of the Ulster Democratic Party, warned the loyalist ceasefire could be threatened by renewed violence from republican splinter groups follow-

ing a number of terrorist incidents over the weekend. There were also nationalist calls for the scrapping of the most contentious Orange parades as the marching season gets under way next week.

Gerry Adams, the president of Sinn Fem, the political wing of the IRA, appealed for a cessation of violence by all armed groups. But Mr Trimble said it was time for Mr Adams "to deliver" by per-

erful financial magnate who runs

Yukos, and Boris Berezovsky, an

influential financier turned poli-

Executives at Yuksi said the

merger began to run into trouble

this spring, as low international

oil prices worsened the financial

positions of the two companies

and made consolidation more

troublesome. Both had dollar-

denominated loans which the

lower oil price made harder to

repay. Yukos took out an \$800m

five-year loan from a consortium

of foreign banks last year to help

buy the Eastern Oil Company

while Sibnert last summer floated

It has also proved difficult to

marry the management teams.

After setting up offices in the

same building immediately after

a few weeks ago they moved back

The decision to freeze the

merger will raise questions for

Elf-Aquitaine, the French oil

company which has agreed to

completed, Elf executives appear

Russian oil industry. One poss

bility would be to substitute the 5

per cent stake in Yuksi it plans

to buy for \$528m for a 12 per cent

Gazprom "under praesure", Page 2

(KLA), which is fighting for Kos-

ovo's independence. Local jour-

nalists sald Serbian security

forces had also opened another

front further to the south, close

to the border with Albania, in an

The scorched-earth tactics

mean many villagers have noth-

ing to return to. The extent of

casualties was unknown, but

western diplomats said it

appeared to be the largest mili-

tary action in the Balkans since

the Croatian army launched Operation Storm in the summe

of 1995 to drive Serb forces out of

Official Serbian media said the

More than 150 people, mostly

ethnic Albanians and including

many women and children, are known to have died since Serbian

security forces attacked KLA

strongholds in central Kosovo in

late February and early March.

geted suspected KLA leaders.

"ethnic cleansing".

CONTENTS

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Full contents and Lext back page

In that offensive police tar-

The Democratic League of Kosovo, the main ethnic Albanian

party led by Ibrahim Rugova,

accuses the authorities of waging

operation was in response to

Croatia and western Bosnia.

KLA attacks on police.

attempt to encircle the rebels

stake in Sibneft.

Serbs launch attack

on Albanian rebels

the merger had been announced

to their separate headquarters.

a three-year \$125m eurobond.

tician with close ties to Sibneft.

The strength of the Yes vote will be used this week by Mr Trimble in his attempt to reassert his authority on his party after more than half his MPs rebelled to back the No campaign. Mr Trimble's attempts to persuade his party's constituency associations to select candidates supportive of the agreement will be boosted by the findings of Friday's exit polls. These showed that more than two-thirds of those unionists who voted No

still want the assembly to work. Mo Mowlam, the Northern Ireland secretary, yesterday urged the voters to back candidates who supported the agreement. "We had a vote for nonviolence and if people are going

for people who will implement the spirit of that agreement." Jeffrey Donaldson, the young Ulster Unionist MP who backed

the No campaign but is seeking party backing to stand for the assembly, said he believed a majority of unionists had voted Yes. Referring to Sinn Fein's efforts to persuade the moderate nationalist SDLP to enter a coalition. Mr Donaldson called for unionism to heal the split. "I think unionism has come to a point where we can find a greater degree of unity in our own ranks," he said.

Reports, Page 6 Past tense, future hopeful Editorial Comment, Page 13

# The Gap to sell clothes worldwide through the internet By Peggy Hollinger in London

The Gap, a major international clothing brand and retailer, plans to launch a worldwide shopping next year.

The move could provide a significant boost for so-called e-commerce by encouraging other international clothing retailers to follow suit. E-commerce sales at present involve mainly computer equipment and software, books and music.

The Gap last year notched up sales of \$6bn in six countries. It is unclear how many countries it plans to serve or what its pricing policy will be for its trademark casual clothing ranges. Warren Hashagen, chief finan-

cial officer, said results from the on-line store launched in the US last November had been "very, very encouraging. Our current target would be to launch tinternationally) by early next year." Hennes & Mauritz, the Swedish

fashion group with stores in 10 countries, is understood to be planning to extend its domestic on-line shopping service beyond Sweden in the near future. Although a growing number of clothing retailers are exploring opportunities for on-line stores, few have expanded outside their lomestic markets. The complex-

ity of pricing for different

markets and delivering products at affordable rates and within reasonable times has deterred many companies from pursuing international internet sales aggressively, However, for those such as The Gap and Hennes & Mauritz, which already have a substantial

sales could be fulfilled from the distribution depots and warehouses which serve their stores. The arrival of such heavyweight names to international internet retailing is certain to make their markets more competitive, according to Kelth Wills. retail analyst at Goldman Sachs. Customers are going to have access to better merchants world-

wide." he said. Forester Research, the US consultancy group, estimates retail spending on the internet will rise from \$1.8bn last year to almost



buy a 5 per cent stake in Yuksi. Even if the merger is never political prisoners hoping to be released from jail by the new indones government, with supporters in the grounds of a Jakarta prison ye confident their group will still Two prominent figures may be freed today, Page 14 Ficture: AP | \$10bm by 2001. secure a strategic foothold in the

# Are you a director of a business?

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# WORLD NEWS

BANK FOR INTERNATIONAL SETTLEMENTS MARKED DROP IN LENDING TO S KOREA AND THAILAND OFFSET BY INCREASE IN CHINA LOANS

# International bank loans to Asia fall

By George Grabam, Banking Editor

International bank lending to Asia fell by \$4.8hn in the second half of last year, but the crises that swept the region had only a limited effect on bank financing to Latin America and eastern Europe, according to new debt statistics from the Bank for International Settle-

bankers' organisation said cross-border lending by

Poll gives

Hungary

political

dilemma

By Kevia Done and Kester Eddy in Badapest

Hungary headed into a

period of political uncer-

tainty last night as prime

minister Gyula Horn's ruling

Socialist party and the centre-right Fidesz-Hungarian

Civic party both appeared to

have failed to secure an

overall majority in the coun-

try's third election since the

Fidesz alone winning 141

compared with only 20 seats

Fidesz more than quadru-

unchanged at 32.3 per cent.

lapsed giving them a possi-

ble 24 seats compared with

The exit polls suggested some protracted horse-trad-

ing lies ahead as party lead-

ers seek the basis for form-

night appeared to be a centre-right coalition between

Fidesz and the populist,

rightwing Smallholders

the parties fail to resolve the

impasse, the spectre looms of fresh elections in the

Yesterday's second round

of the election confirmed the

spectacular rise of Fidesz.

the party founded 10 years

ago by a group of dissident

law students, which has

Viktor Urban, the 34-yearold Fidesz leader, has emerged as a credible chal-

lenger for the post of prime

minister as the stan-

dard-bearer of the centre-

right, signalling a generation change in Hungarian poli-

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emerged as the main centre

right party in Hungary.

69 at the last election.

ing a new coalition.

demise of communism.

Forum party.

four years ago.

banks in major industrial countries to Asia fell to \$381bn at the end of December, with marked drops in lending to South Korea and Thailand offset by an increase in loans to China. But lending to Latin America increased by \$23.8bn to \$283bn, while loans to eastern Europe rose by \$8.3bn to

"The further increases in the claims on Latin Ameri-The Basle-based central can and eastern European countries point to limited

Publication of the statistics has been hurrled through in response to complaints from central bank governors that the BIS data came out too late to provide a useful early warning of financial problems in devel-

Although earlier BIS data had revealed a build-up in basis, so that a loan to an Indonesian company chanshort-term borrowing by nelled through Singapore Korea and Indonesia in the would show up as Indonefirst six months of 1997, the figures came out in January

tries had plunged into crisis.
The BIS is working on show cross-border lending to Indonesia remained virtually plans to produce quarterly figures and to expand the unchanged in the second half of last year at \$58.4bn, number of countries from which it collects loan data. with an increasing proportion of short-term debt. The figures do not, for exam-The data also show a ple, currently show lending by Korean banks to Indonsharp increase in lending to esia. It also wants to gather

data on an "ultimate risk"

The latest BIS statistics\*,

Argentina, where cross-border claims rose by \$6bn to \$60.4bn. The surge stemmed almost entirely from loans by Spanish and UK banks. However, officials said the rise probably reflected financing for acquisitions by Brit-

published this morning, ish and Spanish companies rather than unsustainable dependence on external box

> The BIS said that while Japanese and north Ameriexposure to Asia in the second half of 1997, European banks had continued to increase their lending in the region and had also stepped up their activity in Latin America and eastern Europe. \*Consolidated international banking statistics for end-1997: http://www.bis.org

# **NEWS DIGEST**

IMMIGRATION POLICY

# **Coalition partners attack CSU** stance on foreigners

The Bavarian Christian Social Union, led by Theo Waigel, Germany's finance minister, yesterday came under fire from other members of Heimut Kohl's coalition government for shifting to the right on immigration and its policy towards foreigners in Germany.

Heiner Geissler, a deputy leader of Mr Kohl's Christian Democratic Union in the Bundestag, said the CDU would not incorporate the CSU's policy statement that "Germany is not a country for immigrants" in the joint CDU/CSU manifesto for the September 27 general election. Accusing the CSU of a "shocking kurch to the right", Guido Westerwelle, general secretary of the small Free Democrat party, said its Bavarian ition partner was now "competing to outbid the siogans" of German far-right parties.

The CSU's anti-foreigner stance would ban children of more than 10 years old joining parents of non-European Union nationality already living in Germany, it was adopted on Friday by party delegates as part of the CSU's programme for Bavaria's state election on September 13 and for the party's negotiations with the CDU on their joint platform for the general election. A weekend opinion poll in the Suddeutsche Zei-tung of Munich showed CSU support running at 46 per cent in Bavaria, ahead of the Social Democrats on 34 per cent but below the CSU goal of at least 50 per cent of the vote on September 13. Peter Norman, Born Bayaria fiirts with zero-tolerance, Page 9

## HIJACKING IN PAKISTAN

# Bid to take aircraft to India

Russian miners yesterday lifted their blockade of the Trans-North Caucasus ended their blockade of reliway arteries after government ministers sent to the regions last week promised

The compromise with miners in the Kuzbas and southern Russia is only a pertial solution. Yesterday, miners were still blocking the railway at lints, on the road to Vorkuts, and other pockets of unrest remained. Miners warned that if their overdue wages were not paid by July 1 they would resume their

# SPEAKER'S VISIT TO ISRAEL

# Gingrich bows to pressure

Newt Gingrich, Republican speaker of the US House of Representatives, has bowed to pressure from the White House and cancelled a controversial visit scheduled for today to the proposed Jerusalem site of the US embassy to Israel. At the veekend, Sandy Berger, US national security adviser, urged Mr Gingrich, in Israel with a delegation of congressmen and senators, to scrap the visit.

Palestinian officials, who were furlous with Mr Gingrich's plans, welcomed his decision to cencel the visit. The US delegation is scheduled to meet Yassir Arafat, president of the Palestinian Authority, in the West Bank town of Ramallah on Wednesday. In 1995, Congress passed legislation to move the US embassy from Tel Aviv, where nearly all foreign embassies are located, to Jerusalem by 1999. Israel claims all of Jerusalem as its capital, including eastern Arab districts captured from Jordan during the 1967 war and later ennexed. Avi Machlis, Jerusalem

# **GREEK BANK STRIKE**

# Police seize computer centre

Greek riot police yesterday seized control of lonian Bank's computer centre from striking employees who had shut down the mainframe computer serving the bank's 160 branches. Two lonian workers were arrested and one police officer was intered in scuttes with demonstrators outside the building in Athens's port of Piraeus.

lonian employees have been striking for two weeks in pro-test at the Socialist government's decision to sell a 51 per cent stake to a private Greek bank. The federation of Greek banks called a one-day strike for today in support of ionian's 4,000 workers. The bank's board of directors has asked for a court injunction declaring the strike lilegal. Harls Stamatopoulos, lonian's chairman, said "a minimum number of transactions are being handled on trust because the on-line system is frozen, but this situation can't be allowed to continue". Kerin Hope, Athens

# LAND MINES

# **US proposal on treaty**

The US government is willing to sign the international treaty banning land mines by 2006, but will only do so if its armed forces can create an alternative weapon. Sandy Berger, national security adviser to President Bill Clinton, said the Pentagon was considering new options to replace antipersonnel land mines. In a letter to Senator Patrick Leahy, a strong supporter of the treaty, Mr Berger said the US would end its use of all land mines by 2003 - with the exception of those needed in Korea.

The US government has rejected calls to skin the treaty against land mines arguing they are needed in Korea to deter military action from North Korea. By 2006, the Pentagon hopes to have developed an alternative weapon for use in Korea, Richard Wolffe, Washington

# LUFTHANSA

# BA complaint on pricing

British Airways has complained to Neil Kinnock, the European transport commissioner, about the pricing policies of Luftbansa in the domestic German market. It claims that after Deutsche BA, its German subsidiary, began operating on the lucrative Frankfurt/Munich route last November, Lufthansa made aggressive price cuts which forced it to withdraw in March. British Airways is itself the subject of a complaint to the European Commission from Virgin Atlantic over its reward scheme for travel agents. Jonathan Guthrie, London

# Spain's 'dirty war' casts ex-cabinet minister in spotlight

Today sees the start of a trial over the first crime in the name of the shadowy Gal organisation. David White sets the scene

or the first time since and generals. Complex democracy returned to issues still need resolving Spain more than 20 about the law on prescripyears ago, a former cabinet minister goes on trial in the about illegal counter-terrorist operations.

Exit polls indicated that José Barrionuevo, former the Fidesz-Hungarian Civic Party had emerged as the Socialist member of parliament, and Rafael Vera, forsingle largest force in its mer state secretary for secuelectoral alliance with the rity, face 23-year jail small Hungarian Democratic sentences if they are found guilty on charges of kidnap-Together they were set to win around 158 seats in the ping, belonging to an armed 386-member parliament, gang and misappropriation according to the polls, with

of public funds. State prosecutors are seeking sentences of eight to 22 years for 10 other defendants former senior officials and

pled its share of the vote in the first round two weeks It is not the first trial over ago to 23.2 per cent, while Spain's "dirty war" and almost certainly not the last. the Socialists were virtually But it is the first to reach However, under Hungary's the top levels of power and complex electoral system the is considered the master Socialists lost substantial case, since it concerns the ground yesterday in the first-past-the-post voting for the 176 single-member con-

ous Socialist government. had captured only around 142 seats, down sharply from Felipe González, the for-200 in 1994. With this result mer prime minister, who the Socialists would be was named in an earlier unable to form a majority stage of the investigation coalition even with the supbut who has denied authoriport of their present allies, sing or condoning Gal, is due to testify along with a clutch the liberal Alliance of Free of other ex-ministers, party Democrats, whose vote col-

officials, former police chiefs

believed to be strongly

urging Gazprom, the natural

to be privatised, in a high-

Senior Russian industrial-

ists and the country's top

business newspaper say that

the cash-strapped Russian

state is using political mus-

cle and economic induce-

ments in an effort to per-

profile auction this week.

party, or a grand coalition of gas giant, to bid for Rosneft, Fidesz and the socialists. If the largest oil company still

tion of crimes and whether a 10-year or a 15-year rule supreme court today in a should apply. The Gal campolitically explosive case paign falls between the two. in the long process leading

to the courtroom, the case interior minister and a acrid controversy, and allegations of a smear campaign serving political or private Francisco Alvarez-Cascos deputy prime minister and

strong-arm man of the ruling Popular party, has been called as a witness by Mr Barrionuevo's defence. its charges of political manipulation focus on an

alleged meeting in a newspaper office in December 1994, between Mr Alvarez-Cascos and a lawyer representing two ex-policemen, whose evidence came to play a vital part in the case immediately alterwards.

The officers, jailed in 1988 and subsequently sentenced first crime claimed in the to 108 years each for several name of Gal, or Anti-Terror- attempted murders (and also ist Liberation Groups, a among the accused in shadowy organisation which today's trial), were released testimony implicating their ture dealer of Spanish origin, superiors.

involves contacts in 1995 four men, who mistock him between a former intelli- for a known Eta member livgence colonel, who had docu- ing nearby. He was released ments relating to Gal, and after 10 days. Mario Conde, a disgraced banker who was at the time using French and Portugery; the death of a detainee

The main options last high tapeared to be a centrelled to be a centrel

Vyakherev, head of Gaz-

prom. He claimed ministers

had met Mr Vvakherev last

week and had indicated his

job at the state-controlled

company could be in jeop-

ardy if he did not make a bid

Kommersant, the Russian

business daily, reported last

week "the government has

begun direct talks with Gaz-

for Rosneft.

man said, referring to Rem to find a buyer for Rosneft.

The colonel was court-martialled last year and sentenced to seven years for stealing the documents. Mr Conde is serving a 4%-year undergoing a second fraud

supreme court charges relate to a bungled kidnapping in 1983. Prosecutors allege that a decision "to act outside the law" was taken after Eta, the outlawed Basque separatist group, executed an army chemist it had taken captive.

fter an earlier failed kidnap operation, Segundo was seized from his home in A second murky aspect the French Basque region by

in south-west France, including bomb and automatic weapon attacks against bars where Eta sympathisers hung out. Some of the victims were clearly unconnected with Eta.

In total, "dirty war" allegations during the Socialist period involve 28 deaths between 1983 and 1987. Under Spanish law, Spain's courts have jurisdiction even tions. But not until Gai was though most of the crimes took place in France. The list includes five

people who died in Spain. already been jailed in Two of these were young Eta suspects kidnapped in France in 1983, brought to Apart from the supreme tured. Their bodies, found are already under way in the 800km away near Alicante. were not identified until

Also counted as "dirty war" actions were the 1984 murder of a radical Basque The Gal organisation, politician in his doctor's sur-

France, Portugal and Spain on Gal-related charges. investigation phase in Spain A further two cases have

seeking a deal with the guese mercenaries, was sub- said to have drowned while last until the year 2015."

price of \$2.1bn, officials

hoped the auction would be

planned to bid for Rosneft,

Russia's most important pri-

Officials at the ministry of the fairest, most professional

the main role in pursuing Gal's alleged chiefs: "There is enough of the Gal case to

Gazprom 'under pressure' on Rosneft Over the past few weeks all of the top Russian companies which expressed an initial interest in Rosneft have warned that high starting

price may prevent them

pect during a police opera-tion, in which evidence was

alleged to have been tamp-ered with.

There were reprisal kill-

ings before Gal. A series in

both France and Spain

between 1978 and 1981, when

Eta's armed campaign was

at its height, was attributed

to various shady organisa-

responsibility traced to

Some 35 people have

been reopened. To quote Bal-

tasar Garzón, the national

court judge who has played

senior officials.

fuel and energy and at Gaz- and most lucrative in the from bidding.
That would be a serious prom would not comment brief history of Russia's pro-But the decline in world blow for the cash-strapped neft, for which bids close oil prices and the crisis in Russian government, which tomorrow, has driven the Russian canital markets has has built revenues from the weakened the Russian corpo-Rosneft sale into its budget rate behemoths which had for this year. A successful raising the prospect that crucial for the novice Russian cabinet because of last week's turmoil: which forced interest rates to 50 per cent.

enough to save it. prom". The newspaper said Earlier this year, when the sovernment was using government announced its not attract any bidders. suade Gazprom, Russia's largest and richest company,

SLOVAKIA ENERGY AUSTRIAN PLEA TO POSTPONE START-UP OF SOVIET-STYLE UNIT THIS WEEK

directly on the reports.

However, the sale of Ros-

Russian government into a

tight corner and Gazprom

may be the only Russian

company with pockets deep

# Vienna anger grows over nuclear plant

By Robert Anderson in Bratisiava and Eric Frey in Vienna

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GESBAANY. Slovakia, which has become increasingly isolated under Vladimir Mečiar, its prime minister, risks an open conflict with Austria this week over its plans to start up a said last week. Soviet-designed nuclear power station.

If Slovakia is intransigent, it could further reduce its GERMANY:
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Number One Southwark Berdge, London
SEJ WHL. chances of admission to the European Union, Slovakia was left out of the first wave of entrants because of Mr plant. Mediar's government's intol-

> Slovenske Elektrarne, the producer, plans to activate sion is not due to be comstation at Mochovce, 120km from the Austrian border, leading to full test operation in July of the first of the plant's two MW440 units. But Austria has asked for the activation to be postponed until an international

lier this month.

takes our serious concern into consideration. A untlateral move by Slovakia would cool down our good relations with Slovakia," Viktor Klima, Austrian chancellor.

Wolfgang Kromp, the Austrian physicist who led the commission, said that his team had been denied key documents and that activation now would prevent any further improvements to the

On Friday the Slovak goverance of political opposi- erament was given an attempt to update unsafe interim report which is Soviet-designed nuclear by former communist counbelieved to detail some constate-owned dominant power cerns, although the full verthe fuel rods at the power pleted until mid-June. enske Elektrarne's manag- nuclear plants started under Slovakia has already held up ing director for strategy. activation to allow the com- investment and technology, mission to visit, and is not

Last week Mr Mečiar said and Framatome of France lovske Bohunice, an older it could not accept a delay were acting as contractors. Soviet-style reactor, for "until Mr Kromp is kind "The Austrians' main worry around 40 per cent of its commission of experts enough to come up with a is that we will operate the energy production, but this Mr M reports in the middle of June report". He also refused to reactor," he said. "They share will go up to more vival.

and told the commission to stop this," "I expect that Slovakia approach the contractors

The expert group's conience of the steel pressure vessel covering the reactor. There have also been worries in the past over the plant's vulnerability to earthquakes and the lack of an overall containment block that would prevent contamination in the event

of a Chernobyl-type accident. More generally, there is bound to be concern because Mochovce is the first byl disaster reached Austria. plants using western engineering companies. Vladimir Grujbar, Slov-

dismissed the Austrian worprepared to accept further ries. Respected companies such as Siemens of Germany

on its visit to the plant ear- disclose more documents want to find any reason to than 50 per cent after both Slovakia argues the dis-

pute is really an Austrian domestic political issue and is not based on technological considerations. The Austrian government is under pressure from the public and the tabloid press not to permit a nuclear power plant near the border.

rejected nuclear power in a referendum in 1978, and public opinion turned sharply anti-nuclear after radioactive fallout from the 1986 Cherno-

But Austria is surrounded tries that rely heavily on nuclear power. In the Czech Republic and Slovakia. communism are now being completed using western technology.

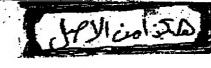
Slovakia currently relies on nuclear power from Jas-

units at Mochovce are in But Austria is also worried

about Slovakia's growing isolation and has tried to maintain good relations with its neighbour. Mr Klima. who takes over the EU presidency in July, wants to keep the EU's door open to Slovakia despite Mr Mečiar's Austrian voters narrowly intolerance of domestic opposition. For Slovakia the plant -

which has cost Sk17bn (\$496m) since work re-started in 1996 and will cost another Sk10bn before the second unit is completed next year - will halve imports of electricity (currently 14 per cent of supply) and reduce the country's reliance on polluting thermal power stations. But for Mr Mediar, the

project raises concerns over the independence of the country's energy supplies, and of standing up to foreign pressure. With difficult elections due in September. obstinacy might help ensure Mr Meciar's political sur-





RUSSIAN MINERS

Trans-Siberian blockade lifted

Siberian ratiway, softening a workers' protest which has hit Russia's weakened economy. Miners in Siberia and in the to pay overdue wages according to a strict schedule.

blockade. Chrystia Freeland, Moscow

# Tehran celebrates a year of reform politics

Government feels it is breaking free from US-imposed sanctions. David Gardner reports

ran celebrated the first anniversary of the landslide election victory. of reformist president Mohammed Khatami at the weekend, along with the regis expected to be a spate of

legal political parties.

The celebrations came as the government demonstrated its increasing confidence that it is breaking free from US attempts to isolate the Islamic republic through

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 $P_{i} = - \gamma^{i} \gamma^{i}$ 

President Khatami, who unexpectedly thrashed his was seen in Tehran as a it will be religion that suf- opposition, which was free regime-backed conservative naked political challenge to fers... freedom must be at to say anything it wanted opponent by a margin of 4-1 in last May's presidential elections, was given a rapturous reception on Satur- near 90 per cent turnout day evening by tens of thouthe capital's main squares.

Chanting support for the Gholamhossein Karbaschi, behind the Khatami victory.

Student riots last month





nent



was the people who "own

"Certain difficulties may

slow our progress, but our

will not be changed," Mr

Khatami said, adding that

In the 10 months since he

"the art of a government lies

Mr Khatami won over 70 with his promise of a more tolerant society opening up crammed into Tehran Uni- to the world after two versity, after marches from decades of Islamist revolu-

He was greeted with a 15minute ovation before he also held aloft pictures of could begin his speech. This centred on his now familiar and the main strategist dynamic civil society, under the rule of law, to both of

stitution, to release Mr Kar- 90-minute oration to his phibaschi after hardliners had losophy of freedom, stating him tailed for alleged finan- that "If religion comes into thunderous applause. He acreening are being gradu-

naked political challenge to fers. freedom must be at to say anything it wanted, the reformists. the root of everything." He provided it realised that it added, without naming anyper cent of the vote on a body, that "a lot of people the revolution".

near 90 per cent turnout are out for themselves and "Certain diffi hiding behind religion" - slow our progress, but our the furthest he has gone in direction and our policies publicly criticising his oppo-

Throughout his speech, the crowd called for the resignation of Ayatollah ments to act within the law and the framework of the production. the popular mayor of Tebran themes of constructing a and a Khamenei ally, who jailed Mr Karbaschi. Mr Khatami chided his followers Khatami has managed to which Iran's rulers must be and tried to quell their expand the bounds of free-could chew" with the extra-held accountable. ehants of "death to the dom of expression. Nearly territorial provisions of last

prefer that we talk about licensed, and tight restric-

pay-TV For the first time since political parties were banned in 1985, a party was formally registered late last week, with more expected before the next parliamentary elections in two years. The party, expected to be led by Mr Karbaschi, is

based on the technocrats assembled by the still-powerful former president, Ali Akbar Hashemi Rafsanjani, who has discreetly backed Mr Khatami. Building on Mr Rafsan-

jani's diplomacy, President Khatami's government has moved swiftly to mend the Islamic republic's fences with its Gulf Arab neighbours - especially Saudi Arabia, whose foreign minisexpected in Tehran tomorrow - as well as with Egypt, Turkey and even Saddam Hussein's Iraq, with which han fought a bitter war in

Mr Khatami has adopted a cautiously conciliatory tone to the US, though the regime as a whole greeted last week's US decision to waive sanctions against European oil companies investing in Iran's oil and gas industry as a victory against American

Mr Rafsanjani said at Fritook office last August, Mr day prayers that the US bad "bitten off more than it forced Ayatollah Ali Khame-nei, the Supreme Leader But the 55-year-old cleric under Iran's theocratic con-devoted a good third of his ehants of "death to the dom of expression. Nearly monopoly of power". 200 new newspaper and mag-wear's iran Libya Sanctions "In this gathering I would agine titles have been Act. The oil ministry now expects a host of companies life, not death," he said to tions on publishing and film to come forward when Iran

only come on Wednesday when the Commission will consider the plans. A spokesman for Bertelsmann said it would not comment on unofficial reports but pointed out that the case would be discussed by a committee of competition experts from the

authorities' approval.

venture

The Kirch spokesman said his company believed that it had put forward a concept that could be approved by the EU authorities after making "wide-ranging con-cessions" that included giving competitors rights to market Premiere. Bertelsmann said it had provided details of the concessions in written form. No more were possible without exposing the planned joint venture to

Karel Van Miert, the EU competition commissioner. has long been worried that the proposed venture would pay-TV market. The Com-June 8 for its decision.

# EU 'set to block' China paging services to be amalgamated

The European Commission appears set to reject the pro-posed joint digital pay-TV China plans to amalgamate fer. the paging operations of proventure of Kirch and Bertelsmann, the German media companies, according to German press reports emanarationalisation among thouting from Bruss Germany's DPA news agency and the ARD televi-sion channel reported yestersands of private beeper ser-

vices, telecoms officials said. The proposed company day that the Commission was likely to be a subsidiary would not approve the plan to fold DF-1, the loss making of China Telecom, the main state telecoms company, and digital pay-TV venture of Kirch, into Premiere, the has been giv a provisional name - the China Telecom analogue subscription service owned by CLT-Ufa, the Paging Company, said the officials, who declined to be Luxembourg-based broadidentified. casting group in which The planned amalgam-Bertelsmann has a 40 per cent stake. The reports said Kirch and Bertelsmann had

ation was part of a broad industrial strategy to nurture strong companies in refused to make further conkey sectors before the councessions to enable the plan to meet the EU competition try enters the World Trade Organisation. WTO membership, for which there is no timetable as yet, would prob-Kirch said it could not ably bring a staggered lifting of the prohibition on foreign understand the reports because a decision could telecours companies offering services in China.

The planned company is be allowed to list some of its shares in order to raise funds to roll out a nationwide infrastructure and upgrade technology, said one official. The venue for flotation has not been fixed but Shanghai was considered more likely than Hong Kong's stockmarket at this

China Telecom already has a listed vehicle in Hong Kong, China Telecom (Hong Kong), which owns the assets of mobile telephone services in the rovinces of Guangdong. Language and be formed by joining the Jiangsu. More provincial mobile services are expected to be transferd into the listed vehicle rime.

It is understand however, that China warts to keep its state paging injustry sepa-rate from its mobile and create a dominant group in fixed line businesses, partly Telecom, would have a stake the still fledgling German in order to maintain strate- in the new company. Unicom gic focus for the different currently has about 1m submission set a deadline of arms of China Telecom and scribers to its paging ser-

industry is expected to dif-

vincial telecoms authorities has been among the first to create one large state areas of the telecoms busicompany able to dominate ness to be opened to foreign the industry and force a competition. Foreign compa-US electronies company, and NEC, the Japanese informa tion technology glant supplies to China's pager market, in which there are

40m users. Officials said that if the

If the market was opened today, foreign players would have little difficulty in making significant inroads

paging market was opened today, foreign players would some with only about 2,000 subscribers - lack the funds to expand and the financial depth to withstand

protracted price competition. Many of these companies of business or into mergers by the creation of the proposed company, which is to paging services now operated by provincial state's Posts and Telecommunications Administrations.

partly because the liberalisa- vices, executives said.

# US probes Iranian link to Saudi bomb

The US is continuing killed 19 US soldiers. investigations into a possible Iranian link to the June 1986. role in it," he told Kuwait's population of 12m. bombing of a military hous- newspaper Al Ra'i al-'Aam. ing complex in Saudi However, he gave no hint as Arabia's eastern province, to who was behind the Arabia's eastern province, despite a Saudi statement attack, nor whether the last week that foreign terror- Saudi government had

ists were not involved. Saudi Arabia's interior minister, Prince Nayef Bin in the attack, which the Abdul-Aziz, said on Friday Saudi government initially that "Saudi hands" were blamed on Shia extremists,

housing complex which

"No foreign party had any arrested those responsible. Iran has denied complicity

responsible for the bombing co-religionists of Iran who

3m population in the Saudi 10 per cent of the total Saudi

According to senior US officials, US investigations dent Mohammed Khatami on a building in Riyadh, are "on-going". A team from was elected a year ago. which killed five US advisers are "on-going". A team from the Federal Bureau of Investigation went to Lebanon also fears that US military was blamed on Saudi Sunni possible connection between the Al-Khobar bombing and Lebanon's Iranian-backed Hezbollah.

-marger add mere to a

Look on the bright side. There'll also be lots more charries and watermelous in the future. Because at our agribusinest, Hoechst Schering Agreyo, we also to utilize biotechnology in improving crop production and protection for harvests that are more bountiful than ever. After all, the cultivated areas of the world won't

because they do not want to dence as to who was responjeopardise relations, which sible. have improved since Presi-

earlies this month to track a retribution against Iran extremists who opposed the

According to senior US gations into the Al-Khobar sonnel in the kingdom.

of the Al-Khobar military make up 40 per cent of the officials, the Saudis are bombing, neither the US nor "bending over backwards" to Saudi Arabia is any nearer Eastern Province, and some avoid implicating Iran to finding conclusive evi-

> A November 1995 attack Officials say Saudi Arabia to the Saudi National Guard, could destabilise the entire US military presence and accused the al-Saud ruling - US officials say that after family of corruption. The US nearly two years of investi- has some 5,000 military per-

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A weekend shake-up in the Indonesian armed forces abruptly removed key Suharto loyalists from strategic command positions, in a clear effort by General Wiranto, the military chief and defence minister, to dismantle the former president's hold on the military.

But the hasty withdrawal of one new appointment on Saturday prompted observers yesterday to question whether Gen Wiranto had consolidated his authority over the factionalised armed forces leadership.

Gen Wiranto himself rose to the top military position under Mr Suharto's patronage but played a big role in power to B.J. Habibie last

Zhu hits

over cuts

# Japanese groups 'have \$11bn loans and credit guarantees in Indonesia'

have loans and credit guarantees to Indonesia businesses worth Y1,500bn (\$11bn), according to a Japanese business newspaper.

reported vesterday that a study by the Ministry of International Trade and Industry (Mitt) found Japanese tracing companies to

comed by diplomats and analysts, who have described him as a moderate and a potential national leader. His support is seen as critical for Mr Habibie, who lacks a military background and is trade credits, loans and loan

This is equivelent to the known value of the exposure of eight Japanese banks to the country, according to the . Nikkal, The exposure of trading companies has been a big factor behind their lower profits

in the year to March. Their exposure to long-term generation and chemical plants, raises the prospect that profits in the current year will continue

Within a day of his re-

emoted Lt Gen Prahowo

Subianto, a son-in-law of Mr Suharto and commander of

Kostrad, the 27,000-strong

Saturday, Gen Prabowo was

appointment Mr Wiranto staff college in Bandung,

to be undermined. Many of these projects are expected to be frozen for a year or two. There is an additional risk that loans to such projects could

The ministry has set up a special unit to monitor the exposure of Japanese isinesses in Indonesia According to the Nikkei, Miti carried out a study of Japan's major trading companies to

assess their exposure to

Indonesia at the end of the

Jakarta at an armed forces

described by one analyst as

Gen Prahowo was known

as a highly ambitious and

hardline commander. With a

Java, a position

financial year in Merch. Mili officials involved in the study were not available for comment Of the medium to long-term

credits, about 20 per cent such as the \$1.8bn Chandra Asri chemicals plant in which Manubeni has a stake, the Nikkel reported.

The remaining 80 per cent comprises an equal amount of loans and loan guarantees. according to the report.

of his more reformist ideas, leading some to believe he top command in the days leading up to Mr Subarto's

he was also Gen Wiranto's

arch-rival and an opponent

Muchdi Purwopranjono. commander of Kopassus, the army's crack special forces unit. US State Department officials have said privately that they believed Kopassus, headed by Gen Prabowo until March, had been responsible for the kidnap manders.

activists. In what is likely to develop into a military purge of Subarto loyalists, at least three other senior commanders are likely to be removed from their positions in the coming weeks, observers

and torturing of political

But the officer appointed to replace Gen Prahowo as Kostrad chief was withdrawn after only 18 hours in office. Maj Gen Johnny Lumintang, who took over the Kostrad command from Gen Prabowo on Friday, was

would also replace Maj Gen Gen Djamari Chaniago, a regional commander in West Java. The hasty replacement of Gen Lumintang, one of the few Christians in the armed forces' mostly Moslem senior command, was reportedly due to last-minute opposition from other senior com-

The removal of Gen Pra bowo came ahead of today's expected results from an inquiry into the fatal shoottors by soldiers at a university in Jakarta on May 12. The shootings touched off violent protests and fuelled public anger at Mr Suharto. The investigation is likely to implicate officers under Gen Prabowo. The speed of the investigation and the

implied promise that the offenders will be identified and punished is another sign that Gen Wiranto is in con-

# Japan's postal savings system faces loss

Moscoli Incom

probably fall into loss this slump in long-term interest rates, government officials emerged because the low rates have created a misnatch in the postal system's

director general of the Postal Savings Bureau, said: Starting with fiscal 1998, we think we will record a deficit in our account for a year or

The likely deficit at the bureau is a sharp contrast to the situation earlier this 1996 the bureau recorded profits of Y1.124bn and Y1.415bn (\$8.3bn and \$10.4bn) respectively. The postal savings system has ground Y250,000bn in deposits, and is almost as large as the top private banks.

Mr Matsui envisages a surplus of "several hundreds of billions of yen" for fiscal 1997 when the results are published this summer.

The looming deficit illustrates the structural problems in Japan's huge public financial institutions as the economy stagnates and Big Bang deregulation gets

The key reason for the bureau's problems is that it is forced to give most of the money it receives from finance. The ministry then manages these funds by investing them in a scheme known as the Fiscal Invest-ment and Loan Programme Filp), which also manager

At the moment the future cost to taxpayers is not necessarily

# Hong Kong opposition poll registers

By James Kynge in Beijing

in staff

Zhu Rongji, China's premier, has run into opposition over guvernment's bureaucracy by half by the end of the year, officials said.

Some ministers have parried Mr Zhu's demands to cut staff numbers by arguing their ministry is aiready overworked, officials in sev eral ministries said.

The plan to streamline China's bloated bureaucracy is a key plank in Mr Zhu's

if the initiative founders Mr Zhu's reputation would be damaged. This could embolden a conservative minority uncomfortable with ing state enterprises are being privatised, causing a surge in unemployment,

commentators said. Some of the strongest resistance to Mr Zhu has come from Wu Jichuan, the powerful head of the newly created ministry of information industry, officials said. awarding important posts to former members of the ministry of electronic industry and the ministry of radio film and television, which mented with his own ministry of posts and telecommu-

Mr Wu has sought to bar gain with Mr Zhu over the staff numbers he must cut. But the premier has rejected his appeals and set a deadline of May 31 by which most ministries must report on the extent of their proposed cuts, planned new manage ment structures within their ministrus and the names of officials in key positions.

There is no doubt that Mr Zhu has had the upper hand," said one official, who declined to be identified.

The foreign ministry has of its number, officials said. But most of this downsizing was likely to come from teens, garages, maintenance and other areas. It was unlikely Chinese embassies overseus would have to cut

Officials said although ministries set targets for cuts by May 31, they do not need to be carried out until the end of the year. By then it is hoped jobs can be found Executives from several foreum companies in Beiling approached by ministry per-

# big turnout

By Louisa Luces in Hong Kong

More than half of Hong Kong's registered voters cast their ballots in the first elections under Chinese rule yesterday, despite torrential rains which flooded seven of the polling stations.

Over 1.5m voters braved the downpours, representing a turnout of 53 per cent of registered electors for the seats decided by universal

Analysts saw the healthy turnout as a vote of confidence in the much-maligned and complex voting system. It was sharply higher than the 35.8 per cent level in 1995 elections, which has been indications

from the legislature after China resumed sovereignty over Hong Kong from the UK on July 1 last year. Casting his vote, Martin

Lee, leader of the Democratic party, hailed the elections as "the first step forward for my country, China, towards democracy". The party's popularity

remains high despite diminshing concerns over mainland interference and a perception that the Democrats, like the other parties, have an uninspiring platform on the issue closest to voters' the rule of law, to which the

Democrats are firmly

welded, is an issue of grow-

ing concern following a

Left: voters read about candidates at a polling station yest well connected individuals

Mr Lee's party scored a landslide victory in the 1995 elections, when the Democratic party and pro-democ-20 universal suffrage seats. Latest indications suggest the Democratic party will secure at least half of those 20 seats this year.

Legislative Council, or LegCo, will yield a stronger showing by pro-Beijing and - as in the past - pro-

business members. The so-called functional constituencies, which represent business and professional groupings, account for 30 of the seats. Just 230,000 people are eligible to vote for these seats, a fraction of the

spate of cases suggesting franchises electing the other reforms of the last governor, preferential treatment of 40 seats that make up the Chris Patten. The final 10 seats will be returned by an 300-strong election commit-

hwa, who was selected by a Beijing-appointed committee, or the administration. The LegCo is itself less of a law-making parliament than one which acts as a check on spending and law devised by set in motion after the the 1995 LegCo would serve past the handover - was derailed by Sino-British from Mr Patten's moves to accelerate the pace of democ racy in the 1995 elections which China said breached Sino-British agreements disbanded the 1995 body and replaced it with an interim

# Clinton team searches for a Chinese village just like home

James Harding reports on efforts by US diplomats and officials planning the president's forthcoming trip to China to settle on an itinerary that will project the country's modernising face

roughly 800,000 rural communities in China, the trick is picking the right

As US diplomats and Chinese government officials in Beifing and Shanghai buckle under the enormous planning process for the visit of Bill Clinton and the First Family next month, the White House has signalled interest in a trip to a village a size of settlement which is home to most of China's

900m rural population. ideally, though, the stage managers of Mr Clinton's tour would like a place which shows China in what the US considers to be the best light: a village, which

which has started to allow people to buy their own homes and which has engaged in environmental protection efforts.

The White House wish-list for a model village underlines one of the US administration's chief priorities for the June trip: to relay back home the message of US presidential support for a modernising China, where personal freedoms, prosperity and a sense of global responsibility are taking

When Chinese president Jiang Zemin visited the US last October, he toured the country and, in a visit being scrutinised for any possible has held direct elections, breach of protocol, Mr Clin-

he search is on for a vil- which has established town- ton is therefore expected to lage. But, then, with ship and village enterprises, do the same when he comes to China. So far, all that is decided is that the US president will definitely visit Beijing and Shanghai.

Diplomats said he was also likely to go to Xian, home of diers, as well as Guilin, which hoasts some of China's most spectacular natural scenery

Chengdu, the capital of Sichuan province in the west, is making a last-ditch bid for a Clinton stopover. Also undecided are the participants of the Clinton

lary, is expected to come and many people in China expect the presidential couple to be accompanied by at Beijing University, which

Madeleine Albright, secretary of state. will also accompany them.

One of the White House's advance parties (in official jargon, a "pre-advance" team) arrived in China this month to start formal consideration of the president's

Dresident Clinton will start his visit in Beijing at the Great Hall of the People, China's parliament, which stands on the western dge of Tiananmen Square. Mr Clinton is the first US president to visit China

square of pro-democracy campalgners in June 1999

Most of his time in Beijing will be spent with Chinese state leaders, but the White House team is looking at other possible engagements, such as delivering a speech

sary this year. The planning of the visit is

consuming much of expatriate America's time in China. In the words of one American official, the presidential visit requires "all our Delicate decisions include

where the president might make a public address in Shanghai - a local university or the grand new trad-ing floor of the Shanghai stock exchange, symbol of the city's ambitions of becoming a regional financial centre. There has been speculation on whether members of the presidential party will hold a meeting with the American Chamber of Commerce in either Shanghal or Beijing or even visit the operations of a big US investor, such as General Motors, which is building a \$1.5bn factory to make

caution about engagements with the US business community in China, reflecting American sensitivities about the perceived export of jobs and concerns about any show of favouritism to one One US-backed project

likely to enjoy a visit from the Clintons is the Project Hope hospital in Shanghai, which has been supported by big donations from US companies. Another under discussion is also of American parentage: China's own version of Sesame Street, the classic US children's televibroadcasting earlier this year in a co-production backed by General Electric.

way for a meeting between one of the Clintons, possibly Chelses, and the cast and

# Filp spends most of the estimated Y400,000hn it currently controls on public

infrastructure projects or ... two thirds the size of the When the economy was booming, yields on Filp. per cent But in recent years the yield has slumped towards 2 per cent, partly because long-term interest rates have fallen sharply. The Postal Savings Bureau as tried to respond to the falling revenues by cutting the interest it pays or long-term savings accounts to 0.35 per cent. But short-term interest rates have not dropped as sharply

"When the yield curve is steep we enjoy high interest margins. But now we have a pismatch of Habilities." said Mr Matsui, who predicted that the bureau would return to profit after "one or

quently, this year revenues

will not keep pace with lia-

These problems are generting growing alarm among western observers. David Asher and Andrew Smithers, two UK economists, for example, concluded from recent research that the Fip programme was highly wasteful and held huge bad debts. "Without comprehensive reform the collapse of the Filp house of cards could occur as soon as the dawn of the 21st cen-

tury," they warned.

However, ministry officials denied that Filp had large losses and pointed out that eforio was under way. The government has ecently decided, for example, that around the year

2001 the Postal Savings Bureau will cease giving money to Filp. Instead the bureage will manage the funds itself and try to earn ligher returns.

Efforts are also under way to improve Filp's accounting system by introducing future cost" analysis to measure future losses more sccturately.

As a senior ministry official said: "At the moment the future cost to taxpayers is not necessarily clear and so we would like to ntroduce future cash flow analysis of the sort introduced in the US in the mid 1990's."

# UK seeks pledges on power employees in Pakistan

British sion in Pakistan sald yesterday that it would seek fresh assurances from local authorities to ensure the safety of British employees working at the Hub power station outside Karachi. the southern port city.

a blockade of the plant site by the local police had ended, following protests by the High Commission. A number of businessmen had week, the Pakistani police surrounded the 1,292MW thermal power plant, and stopped all of its 26 British staff and their nine spouses from leaving the site. The

been given by local authorities, though businessmen say the action was probably driven by the government's determination to get tough with Pakistan's 21 private power producers. The government said the

(Hubco), were promised high power planttariffs by the former government of Benazir Bhutto, who announced a new power gen-Under that policy, the state-run Water and Power Development Authority

(Wapda) is obliged to buy at least 60 per cent of the elec- dict. Privately, its manage-

high court at Lahore, Pakistan's second largest city, US cents per kilowatt hour should be cut by more than half to 3 US cents. Hubco is

The police action against the Hub power site has so far been the toughest official sure. Privately, busines

say that it is likely to burt portfolio and direct invest-**Thai constitutional court** swift ruling paves way for decrees to help restore liquidity to economy



In this week's issue

 Special report on Asia's ordeal and its global consequences

 How Marjorie Scardino is transforming Pearson PLC

Can Russia ward off an Asian-style

European energy deregulation

could give its industry a boost

# Government backed on parliamentary vote

Thailand's newly established Constitutional Court made a crucial decision in favour of end, allowing parliament to vote today on four emergency decrees designed to help restore liquidity to the That economy and keep the country's agreement with

Fund on track. The decrees would allow the government to borrow overseas and domestically to lend to strategic sectors of the economy and restructure the Bt1,100bn (\$25.5bn)

That fund would double in size every five years if not restructured, Thai finance ministry officials said.

power companies, including

The decrees would also allow for easier disposal of Bt860bn in assets of 56 finance companies that were closed late last year. The first auction of core

assets of those companies is in less than two weeks and the International Monetary officials feared the auction would have to be delayed if the decrees were not passed. In addition, Thailand's cabinet is expected to stage of its agreement with the IMF tomorrow.

Approval is not possible

instalment of the fund's pro- of Chuan Leekpai, but also Passage of the decrees had

been a near-certainty in a special session of parliament on Thursday of last week but the opposition, which as the government last year ran up the costs which the current government has to deal with, opposed the decrees on the grounds that they would shift the burden of financial sector bailout to

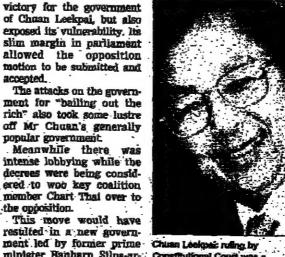
They submitted a motion challenging the definition of approve the country's next an "emergency", and sought to have the decrees declared unconstitutional. The swift ruling by the

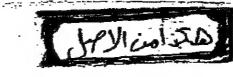
Constitutional Court was a

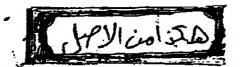
were a condition of the latest victory for the government exposed its vulnerability, Its slim margin in parliament allowed the opposition The attacks on the govern-

> rich" also took some lustre off Mr Chuan's generally Meanwhile there was intense lobbying while the decrees were being considered to woo key coalition

member Chart Thai over to the opposition. This move would have resulted in a new government led by former prime minister Banharn Silpa-ar-







Japan's
Postal
Vavings
Visten
faces log

# Microsoft bonanza for lawyers Richard Wolffe attorneys assigned full-time out of business and into ing just \$106,484 on cam-to the case. For its part, the other things like environ- paign funds and individual

and Louise Kehoe report on the rich pickings for law firms and lobbyists

he hearing lasted handle the high-profile case. little more than an hour, but it represented the start of almost a lifetime's earnings for lawyers and lobbyists alike in

As Microsoft and the US government - plus 20 states faced each other in court for the first time in their landmark antitrust battle last week, at least 14 attor- the indirect and real benefineys sat in front of Judge ciaries are the lawyers and I Thomas Penfield Jackson. am one of them," said Behind them - at the head offices of Microsoft, the Justice Department and state former head of the antitrust attorneys general - hundreds of lawyers, consultants and strategists were prepar-ing for the biggest antitrust

action in two decades. The case is turning into the "PR and Law Relief Act." joked one of the people having lawyers like me over the last three election involved in the lobbying being paid inordinate cycles. In 1983-94, the com-

Justice Department has mental law. But when this hired David Boies, a leading case was launched, around trial lawyer, to lead its courtroom battle. Mr Boies has reportedly halved his usual fee of \$550 an hour to

To the outside world, the case may seem to revolve around the struggle between Microsoft, the world's largest software company, and Net-scape Communications, its rival in internet software. But to Washington, the case looks rather different.

"Netscape is the direct beneficiary of this case, but Charles "Rick" Rule, a consultant to Microsoft and a division under the Reagan administration. "When I was at the Justice Department, we wanted to make the law clear so that businessmen and women in this country could understand it without

town you could hear the champagne corks popping from all the law offices: and

antitrust lawyers." Microsoft has boosted its in-house legal team to more than 100 lawyers at head office, according to Brad Smith, general counsel for the company. Outside Seattle, it has also

been quick to boost its representation in Washington over the last two years. "We have been active in Washington DC on software issues like encryption," said Mr Smith. "But we have not been as active as we might have been in talking just about Microsoft. Instead we have been talking about the benefits of the software industry as a whole." According to the non-parti-

san Centre for Responsive Politics, Microsoft has substantially increased its political spending in Washington amounts to explain the law. pany ranked eighth among "Antitrust lawyers went computer companies, spend-

In the current election

year, it ranks top of the industry, almost trippling its compares well with Netscape Communications, which gave no money five years ago and spent just \$34,749 in the current election year. Microsoft's political tactics

are also remarkable within

the industry. Oracle, the second largest donor, gave more than 90 per cent of its \$217.913 to the Democrats, just as Microsoft did in 1992. Since then Microsoft has reversed political leanings. Two thirds of its current spending goes to Republicans, including \$99,000 of

computer software free donated on March 31. While such figures may be small compared with the size and wealth of Microsoft, they do not include substantial recent donations such as the \$100,000 contribution to the Republican National Committee last month. Bill Gates, chairman and chief executive of Microsoft,



to just two senators. John chairman of the commerce committee, was flown to the west coast for a private demonstration of high-definition television, which Microsoft wants to supply with a compact version of its Windows operating software. The other senator, Patrick Leahy, is the senior Democrat on the judiciary committee, which staged the high-profile hearings into antitrust allegations against

Both sides of the battle McCain, the Republican have been courting Republicans carefully. Microsoft has hired Haley Barbour, a former chairman of the Republican National Committee, as one of its lead lobbyists. Meanwhile, a coalition of its industry rivals - including Netscape and Sun Microsystems - have hired Bob Dole, the former presidential can-didate, and Robert Bork, the former Republican judge.

# Posthumous revenge on Dominican Republic's political leaders

Electors deal a blow to remaining party chiefs after the death of José Francisco Peña Gómez. Canute James reports

e is not around to celebrate, but the late José Francisco Peña Gómez has taken costly revenge on two of the Dominican Republic's leading politicians who conspired to keep him out of

the presidential palace. Official results on Friday showed that the social democrat Revolutionary party of Mr Peña Gómez, who died a fortnight ago from cancer, had handsomely won legislative and municipal elections and taken control of Congress and most municipali-

1.715

At the moment

the future cost

te taxpavers is

and necessarily

. 42

The result is a setback for President Leonel Fern- tive of the Dominican andez's centrist Liberation party, which came a distant second, leaving him short of congressional decisions. The conservative Social Christian Reform party of Joaquin

former president, was third, tions which Mr Pena Gómez increase sales taxes. He may suggesting an end to his 30 lost to Mr Balaguer. years of influence on Dominican politics, and to his reported plans to stand for

the presidency in 2000. Two years ago Mr Pena Gómez appeared on the verge of success in his third bid for the presidency of the Caribbean state of 8m people which shares the island of

Hispaniola with Haiti. In the first round of vot-Fernández, with the candidate of Mr Balaguer's party third. Claiming that Mr Pena Gómez was "not representapeople", Mr Balaguer threw his support behind Mr Fernthe seats he needs to veto and successfully kept Mr Paña Gómez out of office. International observers concluded that extensive fraud

With their support lifted by a tide of sympathy votes, Revolutionary party legislaobstacle to President Fern-

be able to make some progress if he can fashion alliances in Congress with legislators willing to support tors will present a serious some of these changes. But he faces a more intrac-

His party has handsomely won legislative and municipal elections

been trying to increase the role of private business in ise unprofitable state enterander in the second round, prises, particularly the been unable to supply ade-

ing, he came out shead of Mr ander's efforts to "modern- table problem in his efforts ise" the country through a to amend the constitution to series of constitutional and allow presidents to have a economic reforms. He has second consecutive term. The performance of his party this month may have the economy, and to privat- damped his enthusiasm for such a change.

Mr Fernández has taken a power company, which has philosophical attitude. The tourism, telecoms and elections contribute to the quate electricity. promotion of a more diverse should expand by up to 7 per.

The president also wants political leadership in the cent a year over the next.

sional candidates are not zer, a senior World Bank tied to the presidential can- economist responsible for didacies," he said.

There was a more prosaic interpretation by Hatuey De Camps, secretary general of the Revolutionary party. This was a victory in homage to the memory of José Francisco Peña Gómez."

In the remaining two years of his term, the president will be trying to maintain the relatively robust growth in the Dominican economy, which expanded 8.2 per cent last year, following expan-Last year's performance was the best for the economy in the 1990s, said the central

bank. Growth in construction. exports from free trade 200es should expand by up to 7 per Balaguer, a nonagenarian contributed to earlier elec- to lower import tariffs and sense that now the congres- three years, said John Pan-

the Dominican Republic.

"The key to the future growth is the success of efforts to open up the economy, and there have been positive signs with the recent trade treaty between the Dominican Republic and five Central American coun-

tries." Mr Panzer said. "Despite the structure of the new Congress the country is not troubled by differing ideological positions, so there is no question about the direction in which it should be going. If the reforms the president seeks are implemented, the economy could grow by between 8 and 9 per cent a

This will be of some comfort to President Fernandez as he tries to emerge from Mr Peña Gómez's shadow.

# Ortega retains party post

Daniel Ortega and Tomas Borge, the old guard of Nicaragua's Sandinista leadership, were re-elected over the weekend to posts at the head of the party, in a setback for reformers and an indication of the slow pace of change in the movement.

As expected, loyal daniecongress of the Sandinista Front for National Liberation (FSLN) rallied round Mr Ortega, who has been buffeted in recent months by his stepdaughter's allegations that be sexually abused her. Mr Ortega received a rousing reception and was re-elected unopposed as the party's sec-

retary-general.
But Mr Borge, one of the Sandinista's founding fathers, had to overcome a challenge from Victor Hugo Tinoco, the leader of the FSLN's grouping in the Nicaraguan national assembly. to remain as Mr Ortega's deputy. Mr Tinoco is seen as likely to press for change within the party, which has

been out of power since 1990. Mr Tinoco, who lost by 224 votes to 199, said afterwards: "Change will be a slow process and we have gone for-

ward a significant amount." There were times at the congress when little appeared to have changed in the two decades since the Sandinistas overthrew the country's Somoza dictatorship. Delegates wearing scarves in the party colours honoured their fighting beroes and broke into revolutionary song, while some of Mr Ortega's rhetoric was as fierce as ever.

But his call for dialogue with the government and a national accord, in the presence of senior government figures, was welcomed as a conciliatory sign. One international observer said: They are leaving a window open. Compared with recent

# Checchi loses ground in California

By Christopher Parkes In Los Angeles

Al Checchi, the would-be governor of California who has spent almost \$40m on his preliminary campaign. has crashed in the popular-

ity polls. His aggression towards fellow Democrats seeking nomination in the June 2 primary has more than halved his support among likely voters, and left him trailing the field, according to samplings by the Los Angeles

Only 10 per cent of those "likely voters" say they will support him next month. compared with his 22 per cent backing of a month ago.

The main beneficiaries of Mr Checchi's critical television commercials have been the Democrat underdog of a month ago, Gray Davis, and Dan Lungren, the leading

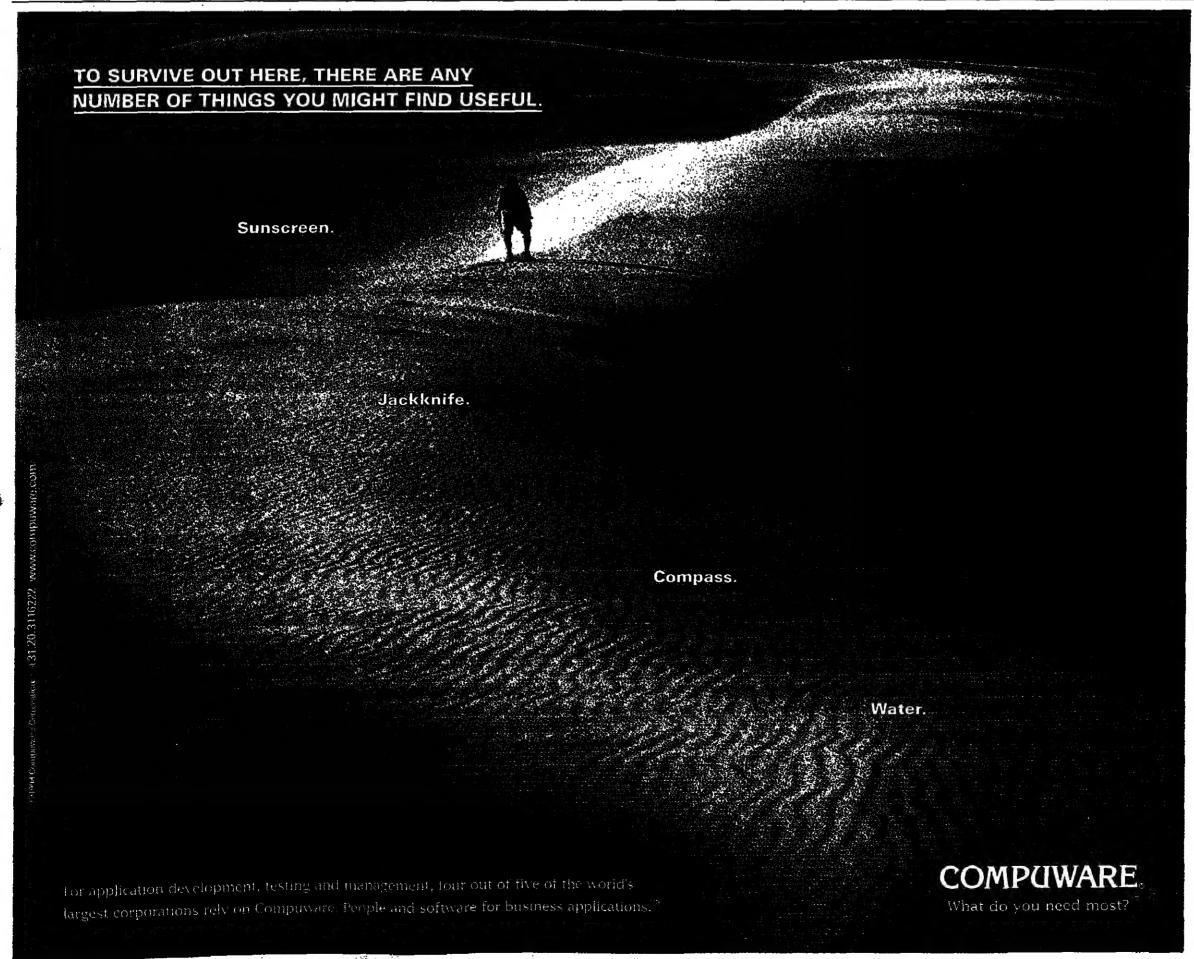
Republican. Mr Davis, second-in-command to governor Pete Wilson, has seen his support among likely voters climb from 13 per cent to 28 per cent, while Mr Lungren claims 37 per cent compared with 28 per cent last time.

The volatility of popular opinion has also been heightened this time by the introduction of the open primary system, under which voters regardless of their party affiliation - may for the first

time vote for any of the primary candidates. However, polis suggest Mr Checchi's onslaught on his Democrat competitors has rebounded on him in the past few weeks, especially since Mr Davis has increased

his spending on television

commercials. Mr Davis has spent about \$7m of donated money compared with Mr Checchi's record-breaking tally from his own resources. Mr Lungren, attorney-general, who also relies on donors, has \$2.4m left in his reserves after spending \$4.6m so far.



**NEWS DIGEST** 

Power groups in call for

Electricity supply companies will ask the government to throw

would force them to split some of their businesses into sepa-

The groups say the proposals would require them to intro-

duce separate information technology, management and control systems that could cost at least £500m (\$835m) - the

The Electricity Association, representing the 14 English,

Scottish and Welsh electricity supply companies, says it will write this week to John Battle, energy minister, asking him to

Regional electricity companies, as well as selling power to

customers, also receive a fee for running the local network

through which electricity is transmitted. The government has

proposed that the supply and distribution businesses should

be separated and operated under different licences. Andrew

equivalent of £20 on each domestic electricity bill.

Channel 4 woos partners

Channel 4, one of the UK's two main terrestrial commercial television services, is holding talks with potential partners

about a film service to be launched this year on digital telev

sion. It plans to set up a subscription film channel and is hoping that one or more high-profile media companies may

become partners in the venture, possibly taking a stake.

Those thought to have been approached include British Sky

Broadcasting, the satellite operator, British Digital Broadcasting, the pay-TV company owned by Carlton Communications and Granada Group, PolyGram, the music and film company

that Seagram agreed to acquire at the end of last week, and

UKTV, the joint venture between Flextech and the BBC.

Vehicles fail emissions tests

One in five vehicles on Britain's roads cannot meet the gov-

emment's standards for exhaust emissions, according to the

result of a compulsory testing scheme Isunched in selected

The results have prompted the government to offer free

vehicle exhaust tests to motorists in the seven towns which

took part in the pilot programme and in Belfast, and to con-

sider extending compulsory testing throughout the country.

reduce vehicle emissions to meet internationally agreed targets. Charles Batchelor, London

This marks an intensification of the government's efforts to

out proposals put forward by the industry's regulator that

end to demerger plans

**ELECTRICITY SUPPLY** 

reject the regulator's plan.

DIGITAL TELEVISION

Taylor, London

POLLUTION

# Battle starts for seats in new assembly

By John Murray Brown and Jimmy Burns in Belfast

Today will see the launch of what promises to be the most hotly contested election campaign in Northern Ireland's history as unionists and nationalists - for and against the agreement - battle for seats in a new power

sharing assembly. The results of the poll on June 25 will be critical and will determine not just the composition of the new assembly but party strengths in the new North- Republic. era ireland executive, which will be composed of a chief

**PARAMILITARIES** 

By Jimmy Burns

south of the Irish border

rupt the political process.

threat yesterday after frus-

trating a small number of

terrorist actions over the

security alert near Lurgan.

where police came across a

small bomb on the railway.

Twenty-four hours earlier

~ while some former para-

militaries were declaring the

"war" over after backing the

successful Yes campaign -

incidents included a home-

dissident republicans

The Loyalist Volunteer

Saturday.

Northern Ireland prime min- those traditional blocks, sided with Ian Paisley's around 70 per cent of the

Predictions are hard to make. The election will be by a system of proportional representation, based on the dented development and a 18 existing constituencies, further spin-off from Frieach returning six members day's historic referendum dates in the assembly elec-- 108 in total, 48 more than vote, which for the first time tions. A vote for Bob Wales and 21 fewer than the new Scottish parliament.

The model will require voters to indicate their first choice and any number of preferences - a system familiar to voters in the Irish

The expected split in the executive is six unionist and six nationalist. But within

government has said that

regarded as critical. But dis-

pones the republican ideal of

Irish officials believe this

council, which explains why

the ceasefire has been main-

a united Ireland.

**Extremists will** 

hard to disrupt

For extremists bent on as the LVF leadership is

violence, the huge majority thought to be reluctant to be

for a peaceful settlement in left out of the planned the referendums north and release of prisoners. The

counts for nothing. But as those not abiding by the

long as the leadership of the ceasefire will not be released Irish Republican Army under the agreement.
maintains its ceasefire, they Within republican ranks.

will find it difficult to dis- the issue of prisoners is also

While insisting there was sidents are focusing on a

no room for complacency, strategy of military opposi-

security officials on both tion to the overall settlement

sides of the border were san- because they believe it con-

guine about the short-term solidates partition and post-

weekend. The latest incident view is not shared by a

was a bomb threat yesterday majority in Sinn Fein, the

afternoon in the city of political wing of the IRA, or Armagh, only bours after a the IRA's controlling army

opposed to the Good Friday Ireland police force) and the

fire during the referendum ons and renounce violence.

find process

ian divide - an unprece- prisoner releases.

saw Roman Catholics and

Protestants voting on the

same side. Many of the 71 per cent of in most constituencies. voters who supported the agreement on Friday would probably not have turned out in a normal election and they may be hard to mobilise again. On the other hand, some of the 29 per cent who

competition. There are sug- ists in the No camp may gestions of vote transfers have done so because of conacross the traditional sectar- cern about issues such as

They may have misgivings about voting for DUP canditions. A vote for Bob McCartneys' UK Unionist party, the other main No grouping, would be wasted Some recent opinion polls

suggest the SDLP, arguably the main architect of the agreement, may stem the fall in its share of the nationalist vote in this election. In the 1992 election, the SDLP took

ister - a deputy and 10 offi- there is likely to be fierce hardline Democratic Union nationalist vote. That throws little light on the slipped to 60 per cent in the 1997 general election and 55 bly elections, although Sydper cent in the subsequent ney Elliott, an expert on local government elections. However, some detect an element of defensiveness in in Belfast, has extrapolated

> the Irish Republican Army, of an electoral pact with the SDLP in the assembly elections. For a party which has made a virtue of taking the political route - and has seen its electoral support dramatically increase - any fall in its share of the vote would be difficult to explain

likely outcome of the assemelectoral models, and lecturer at Queen's University the suggestion from Sinn the results of elections to Fein, the political wing of project likely party

strengths. His analysis gives the Ulster Unionists 39, the Social Democratic and Labour party 24, Sinn Féin 16, the Democratic Unionists 16, the cross-community Alliance party nine, with the UK Unionists of Bob McCartney and the loyalist Progressive Unionists two each.

LEGISLATION

# Bills to be published prior to elections

By David Wighter Political Correspondent

The UK government plans to publish all the legislation required to implement the Northern Ireland agreement before elections to the proposed assembly on June 25 in an effort to bolster support for David Trimble. leader of the pro-British Ulster Unionists, the biggest

party in the region.

Tony Blair, the UK prime minister, has also urged ministers from all departments to visit Northern Ireland to underline the government's commitment to the "normalisation" of poli-

Mr Blair, who will visit within the next few days, wents to persuade unionist voters in the assembly elections to back candidates committed to making the agreement work.

Mo Mowlem, the chief Northern Ireland minister in the UK government, said she hoped the electorate would back candidates who supdates, which may counter-productive, if not

The UK's opposition Conservatives have also ruled out supporting specific candidates. But Andrew Mackay, their Northern Ireland sookesman, said he hoped voters would back Yes candidates or "responsible" members of the No campaign committed to making the agreement work.

Mr Blair sought to reassure wavering unionists in the run-up to the referendum by pledging that safeguards in the agreement would be enshrined in the legislation.

Mr Blair's office confirmed that the government was hoping to publish all the leg-

islation before the elections. However, the difficulty of the task facing ministers was underlined by comments from leading Northern Ireland politicians, Martin Smyth, one of the Ulster Unionist MPs who backed a committed to ensuring that the legislation would not allow politicians even indirectly associated with paramilitaries to take positions in the assembly's executive without decommissioning weapons. Gerry Adams, president of Sinn Féin, political wing of the Irish Republican Army, said there must be

# LLOYD'S OF LONDON

towns at the start of this year.

# Funding reforms approved

Lloyd's of London has approved controversial reforms that will speed up its transformation into an insurance market backed by permanent capital.

It is allowing underwriting agents to strike bilateral deals with independent capital providers when buying in control of the insurance syndicates they manage. The move may accelerate the decline of Names, individuals who have traditionally backed Lloyd's, because it will make it easier in annual capacity auctions to trade the right to support big chunks of

However, more far-reaching staps, such as imposing a time limit on future participation by Names, appear for the moment The latest reforms will allow underwriting agents to negoti-

ate the purchase of syndicate capacity in parallel with the fortnightly auctions, of which there will be six this year beginning in July. A minimum of £250,000 (\$417,500) of capacity will have to be traded in a bilateral deal, compared with £1,000 blocks in suctions. Christopher Adams, London

# INTELLECTUAL PROPERTY

## UK lags behind rest of Europe UK companies lag behind their counterparts in the rest of

Europe in managing intellectual property and patents, according to research published today. Senior managers in the UK are less likely than those from the rest of Europe to understand the role of patents, operate corporate patent policies and run regular audits, according to

the study of 360 European companies. Throughout Europe, the study identified a large gap between the importance placed on patents in theory and the way they were managed in practice. "This can lead to massive patent litigation costs and wasted research and development expenditure - both potentially fatal not only to small and

medium-sized enterprises but also large corporations," it said. More than seven in 10 of the companies surveyed admitted they had wasted R & D expenditure through patent mismanagement. At some stage, they had embarked on R & D work rithout realising that the work under development was already protected by a competitor's patent. Eight out of 10 companies surveyed had been involved in patent litigation at some time. Vanessa Houlder, London

Α.

# Japanese Visit

# Akihito arrives in Britain

Emperor Akihito of Japan arrives in Britain today, at the start of an official visit that is likely to be overshadowed by protests from British veterans of the second world war. Both countries hope the visit will help cement diplomatic relations and bolster trade links. But Japanese embassy offi-

clais are braced for the awkward sight of war veterans turning their back on the emperor tomorrow as he travels down the Mall, in London, to Buckingham Palace. The veterans are demanding a fuller apology for their treat-

ment in prisoner of war camps than that offered last January by Ryutaro Hashimoto, the Japanese prime minister, as well But the Foreign Office has warned the veterans that no fur-

ther concessions are likely from Tokyo, and has urged them to show respect to the emperor. George Parker, London Editorial Comment, Page 13

# Investors bear cost of litigation

Investors have borne the brunt of a big increase in the cost of big fraud cases, according to a report out today.

Although the number of big fraud cases in the UK has fallen, the cost has risen, according to figures from KPMG Forensic Accounting,
There were 55 cases of fraud involving sums of more than

2100,000 (\$167,000) last year, costing a total of 2120m. Although the number of cases was down on the 74 recorded in the previous year, the cost of the frauds jumped by 217 per cent from £95m in 1996.

The banking and financial sector suffered the most frauds last with 18 cases worth more than £100,000.



Faces of the future: children play in Belfast, the Northern Ireland capital, yesterday

THE 'NO' CAMPAIGN

# Dinosaur' unionist refuses to admit defeat

Republicans backing the Good Friday agreement see it as a "transitional" stage to a united Ireland. Despite the renunciation of the repub- Northern Ireland's most police in the Irish republic lic's territorial claim to prominent, hardline, prointercepted two cars on their Northern Ireland their inter- British unionist, was jostled way north near the border pretation is that both refer- ignobly out of the results town of Dundalk. They were endum results have centre at Belfast's King's carrying equipment to make unlocked a political dynamic Hall on Saturday.

siderable destruction. Other lead to a united Ireland. Sinn Feln officials made device on a railway suggested that they and the defeat, claiming the 28 per track near Belfast, the IRA will remain on the peace cent vote for the No cam-Northern Ireland capital, on train as long as it delivers on paign showed the majority of an agenda which includes unionists had not consented The bulk of incidents are equality and demilitarisation to the Good Friday agreebelieved to be the work of involving the Royal Ulster ment. Constabulary (the Northern

British army. But this has brought little Force - which unlike the comfort to security officials bigger Ulster Volunteer and unionists seeking Force is opposed to the set- clearer signs that the IRA is tlement - declared a coase- ready to hand over its weap-

"Go home dinosaur". chanted exuberant supporters of the Yes campaign as the Reverand Ian Paisley,

Mr Paisiev, leader of the Democratic Unionist party, was in no mood to concede

Aides of David Trimble, conceded the referendum had left unionism divided, with Mr Paisley, the old bruiser of sectarian politics. raring for another battle. Mr

assembly. Nevertheless, he is endeavouring to do so by it any political and constituthe Good Friday settlement.

No-one should underestimate Mr Paisley's ability to the tactical alliance among ported the agreement. But light an emotional fuse unionists against the settle- ministers have been told to within the unionist commu-ment is coming under strain avoid any impression of supnity, which has a natural as Ulster Unionist MPs porting particular candidistrist of political con ity and sophistication. At Mr Paisley's Martyrs

Church in Belfast yesterday, there was no doubting the defiance of the faithful as they turned up for the service. "We believe that God is on our side no matter what the Ulster Unionist party Mr Trimble might say, We're leader, disputed this, but going to keep on fighting," said Herbert Robb, a loyal Palsleyite.

Nevertheless, the days when Mr Paisley could bring thousands of demonstrators

to wreck the forthcoming. His support in recent elections has dipped, and some of his supporters have promising to oppose within turned instead towards the pro-British political grouptional change envisaged in ings set up by former prison-

> Following the referendum, such as Jeffrey Donaldson, undertake to accept the decision of the majority of the people of Northern Ireland. Mr Donaldson said he would

Paisley insists he is not out on to the streets have gone. said.

play a "constructive role" in helping to lead Northern Ireland into the future. The conciliatory tone was echoed by another No cam-

paigner, Arlene Foster, the UUP's honorary secretary. Now that democracy has spoken it is up to the Ulster Unionists to work together behind David Trimble," she

# IRISH REPUBLIC

# Historic consensus paves way for change

By John Murray Brown

The referendum in Northern Ireland stirred deep divisions. But there was an unusual consensus south of the border, where all the much of his political career main parties backed the deal has shown a sure hand and and the constitutional even won the begrudging changes, with the result that admiration of many unionthe proposals were approved lists for his even-handedness by a staggering 94.4 per cent in the negotiations.

The lack of debate on the describes itself officially as Maurice Manning, the his-deal probably explains the "the republican party". is Maurice Manning, the his-torian and Irish senator, has resentatives from the Dail turnout, which at about 58 prohably the only party with per cent was lower than in the authority to drop the Northern Ireland and less claim to Northern Ireland and Fine Gael - which were

less, a triumph for Bertie Ahern, the Flanna Fail prime minister, who after displaying little interest in "the northern question" for

Fianna Fail, which

Eamon de Valera, the party's agreed on Northern Ireland. founder, who led republican As a result, the sterile Ireland in the 1920s.

party, Fine Gael, had been in power, it might have found it difficult to ignore sniping from Fianna Fail MPs on the opposition benches. Fine Gael is descended from the republican forces who

accepted partition. pointed out that this is the first time that Pianna Fail

As a result, the sterile opposition to the partition of divisions of the past - with Fianna Fail being more If the other main Irish inclined to support Sinn

The wider implications for the Republic's parliament -

British-Irish relations are of terrorist weapons and the considerable. The deal paves conditions for Sinn Fein's the way for a British Irish participation in the North-

## some rocky patches. Dublin is particularly anxious Tony Blair's support for the Ulster Unionists during the referen-Fein while Fine Gael bas dum campaign does not been more sympathetic to mean the UK prime minister unionists - may soon be a will allow himself to be ham-thing of the past. will allow himself to be ham-boozled on legislation providing for decommissioning

However, the successful endorsement of Good Frithe new northern assembly, day's agreement marks a Northern Ireland and less claim to Northern Ireland and Fine Gael - which were Westminster and the new high in relations "no pre-conditions" for the than in recent referendums contained in the 1937 constitution on opposite sides in a civil devolved parliaments of between Ireland and its forparty's involvement in the on divorce and abortion. This was drafted by war after partition - have Wales and Scotland mer British colonial master. assembly.

# Scottish calls for independence that refuse to go away

In spite of Labour's commitment to a regional assembly, nationalism north of the English border is on the rise, says James Buxton

An Edinburgh financier However most of his col-A recently opened a din-ner party conversation leagues view the rise of the nationalists with intense by saying how delighted he anxiety, though tinged with was with Scottish politics. some amusement at the dis-The cause of his pleasure comfiture of Labour, which was that the Scottish had claimed that its support National party was ahead of for a regional assembly Labour in opinion polls of would see off the nationalist voting intentions for the party for a generation. Scottish parliament. It

that he is an SNP supporter. cent for Labour.

meant, he said. Scotland alarming picture for the govmight soon be independent. ernment. The numbers sayit is rare for senior Scot- ing they would vote SNP in tish businesspeople to say the first elections for the they back the SNP and inde- Scottish parliament, fixed pendence, but the numbers for May next year, have doing so are rising. Brian risen remorselessly for six Souter, chairman of Stage-months. The most recent coach, the transport com- poll put support for the SNP pany, has not denied reports at 41 per cent against 36 per fled that they are so unpoputrade unionists are unhappy

the SNP in the assembly because Labour would do well in the larger number of Dewar, chief minister for itself as a moderate left-ofseats elected under the first- Scotland in the Labour govpast-the-post system, while ernment, have been conthe SNP's gains would be among the smaller number of regional seats elected by proportional representation. But at the very least the SNP looks set to be a powerful force in the parliament.

party for a generation. However, a poll this week
The opinion polls point an in The Herald newspaper, published in Glasgow, showed 34 per cent of those asked supported independence, roughly the same level as for the past decade. It also found 40 per cent of SNP supporters wanted Scotland to stay in the UK. Even so, ministers are baf-

That may not necessarily are delivering the Scottish translate into a majority for parliament most Scots want. Part of the problem is that the energies of Donald executive (government) of the new parliament due to take over in a year's time, junior Scottish ministers have not had many eye-

catching policies to present. Alex Salmond, the SNP leader, is winning support from Scots disappointed that so little has changed under the Labour government: people in local government resent Gordon Brown, the chancellor of the exchequer. for sticking to the Conservatives' spending limits, while lar in Scotland when they over union recognition.

In England these leftwing ties, and has even floated the critics have nowhere to turn, idea of not levying the 3 but in Scotland they have pence income tax surcharge the SNP, which describes centre party campaigning for burgh financier: "Alex Salindependence within the sumed by the complexities of European Union. "The SNP devolution, while with the appears to be speaking for Scotland," a disillusioned Labour supporter says, keep the left under control." "whereas the government seems to be speaking for middle England". Yet the SNP, all of whose

members in the House of ing a majority of Scots still Commons sit for former Con- reject the idea of a separate servative seats, also presents itself as a party that sup- forces and embassies. The ports enterprise. It favours poll will also encourage the lower corporation tax in an idea put forward this week independent Scotland and, by John McAllion a Labour big incentives for small com- MP, and some Liberal Demopanies. In the Scottish par- crats, that the government liament it wants to keep should hold a referendum on business rates out of the independence immediately hands of municipal authori- the parliament opens.

- the so-called "tartan tax". In the words of the Edinmond's an economist and

understands about business.

I see him as a Scottish Tony

Blair, a pragmatist who will

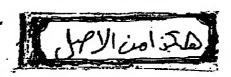
That makes the SNP an elusive target for the government. But Labour will take heart from the poll suggest-Scotland with its own armed

croups in call

is fall emissions is

्रा भवत् स्थाति ।

anger in Billion



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# INSIDE @ TRACK

**PROFILE MARCEL OSPEL** 

# Premier league player

The head of the soon-to-be merged SBC and UBS talks to William Hall and Clay Harris

If Marcel Ospel were running Basle's foot-ball club rather than Swiss Bank Corporation, the city's biggest bank, his reputation would be under serifootball club, headed by an old school chum, is strugeling to avoid relegation. whereas Mr Ospel, 48, is about to win promotion to the world's premier banking league as chief executive of the soon-to-be merged SBC and Union Bank of Switzer-

world's fifth-biggest bank with a market capitalisation of \$70bn (£42bn). It will rank number one in the highly profitable business of private banking, and will own the world's fourth-biggest institutional asset manager. Its Warburg Dillon Read subsidmier investment bank and wants to rank among the world's top five truly international investment banks.

The merger has cleared all but one regulatory hurdle and is on course to be completed in June, "It is very important that we get US approval quickly, then we really can reap the benefits of an accelerated merger process," says Mr Ospel, against the background rumble of trams passing his office in SBC's former headquarters, now its main Basle branch.

By 2002, the new UBS, with Mr Ospel at the helm, aims to have more than doubled its long-term average return on equity to between 15 per cent and 20 per cent. The 25 per cent rise in merger was announced last December is testimony to the stock market's belief in to share out jobs evenhand-

on his promises. Seven years ago it was a very different story. SBC in the one division that is was the weakest of the big three Swiss banks. Its management record had been tarnished by its overinvolvement in lending to Werner K Rey, the fugitive Swiss financier, whose Omni empire collapsed with debts of SFr3bn (£1.2bn) in 1991.

The fact that SBC has rebounded and achieved a thinly disguised reverse takeover of UBS, Switzerland's biggest bank, is largely down to Mr Ospel. He has been running SBC for only two years but his role in its rejuvenation goes back much longer.

His first coup was the creeping acquisition of O'Connor, a young high-tech process that started in 1989

Mr Ospel had to persuade not only SBC's top manage-ment of the benefits of merg-ing the unknown O'Connor with SBC's foreign exchange and money market activities, but also O'Connor's 22 partners that a future career in a Swiss bank need not be dull. He was certainly right on

that score. Between 1990 and 1993, O'Connor helped to its fivefold to SFr2.9bn. However, a year later they had dropped below SFribn. But by then O'Connor's derivaintegrated inside SBC that there was no turning back and today ex-O'Connor partners, such as David Solo, 33, and Andy Siciliano, 37, are members of Mr Ospel's inner

Their rapid rise up the

SBC hierarchy is one of the

ways that Mr Ospel has

the smallest of the big three Hans de Gier, a 53-year-old Dutchman heading Warburg Dillon Read, whose career at iary is already Europe's pre- SBC has shadowed Mr Ospel's, almost all of his top management are outsiders. Rudi Bogni, 50, the Italian head of private banking, is an ex-Chase Manhattan banker; Gary Brinson, 54. head of asset management. is a US multi-millionaire who sold his business for \$750m to SBC in 1995; Peter Wuffli, the 40-year-old chief financial officer, is an ex-Mckinsey management consultant; and Thomas Escher, 49, head of information technology, came from IBM two

Mr Ospel's other great skill is integrating new businesses. He has overseen four important moves since 1992: O'Connor, Brinson, S.G. Warburg and most recently Dillon Read. He has a reputa-tion for speed and, as UBS's executives have found to securities trading in Zurich their cost, he feels no need Mr Ospel's ability to deliver edly. As a result, the only area where the old UBS managers have any real power is class business: domestic

Swiss banking. In an industry where egos play a big role in decisionmaking, Mr Ospel is remarkably unpretentious. SBC's bargain-basement takeover of S.G. Warburg, the former high-flying UK merchant bank that was left in the lurch after an ill-fated courtship with Morgan Stanley. was clinched because War burg's prima donnas liked Mr Ospel. The fact that hardly any of them occupy positions of power in the new UBS speaks volumes about his ruthleseness.

Nevertheless, his record in building shareholder value Chicago derivatives firm - a at SBC is not quite as spotless as his well-oiled public and was completed in 1984. relations machine portrays.



THE ESSENTIAL GUIDE TO MARCEL OSPEL

1950, in working class district of Basie, Left school at 16. worked in private banks in Basie, Geneva and London, before returning to Basie's business administration. Does Gallen university, but the Swiss are less sniffy about these things than the

Career: joined Swiss Bank Corporation's central planning department in 1977. Sent to London as bond salesman, and then New York, where posched by Merrill Lynch In 1985. After two years SBC and he has never looked

SBC shareholders' funds on

the eve of the merger are

lower than they were at the

start of the decade, explain-

ing why its return on equity

looks so much better than

UBS's. Its investment bank-

ing division earned far less

than UBS in 1997, even

The return on assets under

management of its much-

vaunted Brinson fund man-

agement business was the

lowest of the Swiss big three.

squeezed out of the group

though it had more staff.

SBC chief executives. Refuses outside directorships because of womies about conflicts of nterest. May have damaged long-term chances of joining the great and the good by disbanding SBC's council of international advisers, a talking shop of global big-wigs headed by Sir David Scholey. Social lite: kept under lock and key. Married (second) into

back, Chief executive since

Current life: much more

international than previous

May 1996.

family. Hobbies: modern painting, dog. Only apparent vice is cigarettes. Lets off steem

demonstrate that he can

"Our future is not as a

grow the group's revenues.

ahead of schedule.

banker if he sticks around long enough. But cutting costs is the easy bit, and Mr Ospel has to

once a year at 4am in early

dressed as a devil with

flashing red horns and

in Basle's annual

camival

banging a drum with one

of the more exotic cliques

Long-term goal: hard to

Swiss banks among the

term. The smart money

the final place at the too

table. But Lukas Mühlem

47, Credit Suisse's

Ospel's Image as

McKinsey-trained chief

world's top 10 in the long

remains on Mr Ospel winning

executive, could threaten Mr

ve there will be two

March when he is to be found

bancassurer," says Mr Ospel, clearly differentiating the new UBS from domestic rival Credit Suisse, which last year bought Winterthur, the Swiss assurer. "We believe that banking and insurance will increasingly converge in a few very select areas such as asset management and financial

and the profitability of its private banking operation lagged those of UBS.

That is history, however, and Mr Ospel and his team risk management where there are some synergies." investment banking is the will be running the show one area that urgently needs attention. Not only must Mr when the merger gets the Ospel improve the profitabil-ity of UBS's second-biggest final go-ahead from the US authorities. Given Mr Ospel's record, most analysts business, but he must also believe that the SFr3.5bn of strengthen its position in cost-savings will probably be North America where it

lacks critical mass.

We are determined to build our US business but have no ambition to become domestic bulge bracket (top tier) player in investment banking at this point

in time," Mr Ospel says. So presumably that rules out a merger with the likes of Merrill Lynch? "If in three to five years we sat down and talked again we may have different ideas. But there is no reason for some thing of that sort at this

juncture. As for consolidation in Europe, Mr Ospel is surnrised that there have not been more deals like the SBC-UBS merger, which sent a shiver through continental rivals after its announce ment. He is convinced that consolidation will accelerate across Europe and "then obviously the next thing will be transatlantic deals".



# Steer clear of the morality minefield

Companies have a business responsibility to ensure family life works. Morality has nothing to do with it and neither should it

"Employers have a *moral* responsibility to ensure family life works." Discuss. On Thursday, childcare activists will descend on the Millhank Tower in London to debate this issue. No prizes for guessing which side most of them will be on. In the name of stakeholding, they will surely say that companies have a moral duty to their employees which, in turn, implies that they have some kind of moral duty to their families.

In real life, it is not like that at all. Companies exist to make money. They should be good to their employees because if they are not no one will want to work for them. They should offer family friendly policies for exactly the same reason. That is to say, most employers have a busines responsibility to ensure family life works. If they employ people with families but do not recognise their needs, then their competitors will and they

will lose out. behave in a decent way to their workers not simply for the sake of it, but for the company's own reputation. Now that ethical business is the thing, any company that is seen to be doing anything even slightly wrong - which includes being hard on their staff - will shortly get a bad name, and that will not help them sell their products.

Morality has nothing to do with it, and neither should it. The idea that our employers have a moral interest in us or our families. is repugnant. We are grown-ups and we run our private lives as we see fit. In any case, anyone who a moral interest in amployees' childcare

arrangements may find the argument coming back to bite them. If we allow companies to be morally responsible, then surely we should allow them to pick

their own morals. What happens if companies take the view that the best thing for children is to be brought up by their mothers? Then presumably the morally motivated employer would be excused if they never employed women with young children and liscouraged new mother from returning to work. The morality of bringing up children is a minefield for parents; companies would be well advised to steer clear.

Once upon a time everyone at Procter & Gamble wore blue suits. Now everyone wears casual dress. According to John Pepper, chief executive, the change shows a) that everyone at P&G is having a good time and b) that they are being themselves. Can he be serious? The idea that you have more fun in chinos than in a suit is bizarre, but the idea that P&G clones are somehow expressing their individuality by virtue of their almost identical leisure clothes is plain sad.

There is a lot to be said for casual clothes, but it has nothing to do with individuality or fun. It is simply that chinos are cheaper and don't require so much dry cleaning. You get up each morning, throw on your clothes and off you go.

Still on the subject of F&G. I have been reading Business Beyond the Box, an extraordinary volume written by another John at the top of P&C. John spending all his spare time in hotels and aircraft writing this book to help us achieve "breekthrough results" both

personally and at work. Our

minds, he says, are brilliant

cranial computers. The

trouble is that we don't

of us can only do logical really need is mangular thinking. That means we must combine the elements of a step change, of building knowhow and using creative thinking. Apparently therein lies the secret to getting out of the box (which box. I wonder?); once we have mastered triangular thought we will be on the way to those breakthrough

Corporate America loves this book - that is if you believe that the glowing endorsements on all books these days offer any proof that the person in question has actually read it. "Wow!" gushes the chief executive of Burger King, while the chief executive of Saatchi and Saatchi says: "Great Sunday night reading . . . made me

want to run into work!" I must say I am struggling a bit, and the tips offered by O'Keeffe are not helping. Take time to 'get on fire', to help charge yourself up so you will be able to break out of the box of incrementalism and aim for step-change goals," he recommends. can see no smoke - my own personal cranial computer is just not up to it.

My award for most imaginative annual report this year goes to Aegis, the group. Four whole pages of its report are devoted to those trick pictures that appear to be elaborate patterns until you look at them cross-eyed, when a word suddenly leaps out of the page at you. Thus one page says "innovative". another "effective", a third "analysis" and so on. At least, I am told that is what they say - I have been can't see any words at all. Aegis is on to something here but has thrown the idea away by using it on those silly words. Next year they should do the same - but the hidden message should be

AT THE WESKENDS I LIKE TO SLIP INTO A BLUE THREE-PIECE AND THE AND JUST HANG OUT 日 NEW CASUAL



**BUSINESS TRAVEL FLYING** 

# How to jettison fear

Farrol Kahn looks at the treatments available to fight aerophobia

which a businessman ish Ahways flight and had to be handcuffed, could be less a case of drunkenness than of aerophobia, which can induce excessive

The passenger later revealed he was facing a know how to cope with divorce. What he was not aware of was that the enclosed cabin invokes a primary fear in us all.

crowd close together out of

On a crowded aircraft, passengers are put on the defensive because their private space is being invaded. They can smell the odours and feel the heat of strangers next to them. That produces a high degree of anxiety and may arouse aggression. "Some 60 per cent of pes-

A recent incident in able inflight, and out of I ran amok on a Brit- extreme fears. The worst cases involve panic attacks," says Dr Bergau. This physiological reaction goes handin-hand with psychological anxieties of being helpless. Frequent flyers get accus-

tomed to these anxieties and But there are times when

even seasoned flyers crack. Flight attendants on Delta Lutz Bergau, Lufthansa's Air Lines are trained to medical director, illustrates recognise signs of aerophothis with an analogy of birds hia among business people sitting on power lines nor- to prevent incidents from mally equidistant from each getting out of hand. There other. "But when there's are four main symptoms," danger," he says, "they says Dave Campbell, general manager of the airline. They are manifested when a passenger is short and curt, angry, withdrawn or

"Sometimes we can dispel their fears by mentioning that they took a greater risk by travelling to the airport than by flying. But genersengers do not feel comfort- ally, we relate to them. Ask Institute

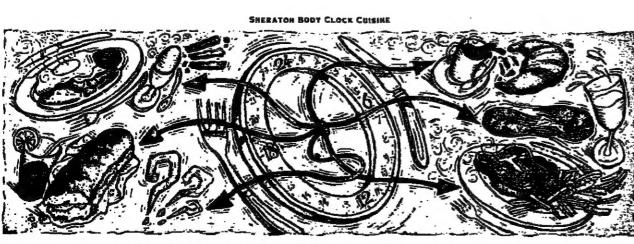
them about their family and children.

Clinically, aerophobia is complex, as about six types these some can develop of distorted thinking have been identified. Claustrophobia, panic-related anxiety, space phobia or fear of being surrounding by nothingne terror of crashing and of heights, and post-traumatic fears are all part of this per-

plexing condition. When it comes to solutions, these are as numerous as there are flyers. A popular treatment is called cognitive behaviourism. This approach involves confronting people with the unreasonableness of their fears while exposing them to relaxation

The most promising treatment for aerophobia is Eye Movement Desensitisation and Reprocessing, which has been used for a decade to drinking too much. Our job overcome anxieties, stress is to find out and turn them and depression. Through the movement of one's eyes from side to side, negative feelings can be dissipated.

> The author is director of the Oxford-based Aviation Health



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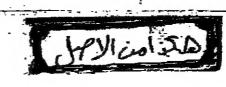
It's simple. If you feel like eggs

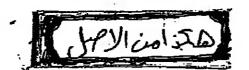
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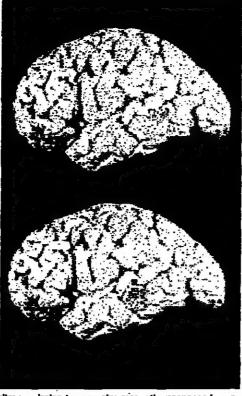
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Head start: from left, 3-D computed tomography scan; positron emission tomography; magnetic resonance image TECHNOLOGY MEDICAL IMAGING

# Exposed pictures of health

on a trolley. More impor-

tantly, the pictures are able,

for example, to show real-time movements of a foetus

the image may be as clear as

near the surface of the body,

up to a depth of about 10cm,

and the images show a

Four radiology techniques are transforming diagnosis and making imaging an essential part of medicine, says Daniel Green

business of taking an X-ray. That is not consideratives of the inside ered dangerous, but receive the dangerous of CT scans send X-rays through the may be inadvisable. body and record an image on film. Apart from tweaking the exposure and film, there

But during the past decade, radiology has changed from medical backwater to mainstream. Where once there were only X-rays, cated, so take a deep breath: smaller area than MRI or CT now there are CT (computed tomography), MRI (magnetic resonance imaging), ultrasound and PET (positron emission tomography).

Each of these techniques is transforming diagnosis of disease, and each has its strengths and weaknesses. According to Jamie Weir, dean of the faculty of clinical radiology at the Royal College of Radiologists, between them they have made imaging essential.

Take cancer. Medical imaging is used in diagnosis, staging [identifying how advanced the disease is), treatment follow-up, and pal-

each is growing. Researchers and practitioners in medical imaging strive to broaden their own sub-specialties of the body by a computer. into their rivals' areas.

the body. A computer comdetailed cross-sectional

A problem with X-rays is that they distinguish snapshots. between body areas of different density - though that makes them useful for studying the skeleton, for example. A problem with the CT scan is that it produces

DIGITAL SYSTEMS

promises better pictures,

reduced procedure time and

potential cost savings. The

signal is enhanced and dis-

played as pixels on a screen.

removing the need for chem-

icals, film, and large quanti-

images across a network,

another department, hospital

The technology may have

important clinical benefits

too. The dose that patients

reduced, though this has yet

to be proved. It is also often

unnecessary to take succes-

sive X-rays as the original image may be magnified and

oroscopy - in which moving ter."

enhanced by software.

ties of storage space.

The resulting digital image

For 90 years, the much more radiation than enough to be wheeled about of the body was routine: ing hundreds of CT scans

Both these issues are dealt in a woman's womb. In the with by MRI, which takes a hands of a skilled operator, picture of where water is in the body without using a CT or X-ray. But the best X-rays. It distinguishes images are of structures clearly between skin, fat and muscle.

The technology is compliwater molecules may behave like tiny magnets. An MRI scanner bathes the body in a powerful magnetic field and the water molecules line up.

Finally there is PRT technology, still largely a research tool. PET allows fascinating research into

Competition between each technique is growing. Researchers and practitioners in medical imaging are striving to broaden their own

sub-specialties into their rivals' areas

The molecules are jarred brain function. by a radio wave pulse, and their own radio pulse. The pattern of that return pulse is turned into a cross-section

But there are three draw-Of these four areas, CT is backs: the machinery Council's cyclotron (particle closest to X-rays. It uses a required costs about £1m accelerator) at the hospital series of X-ray pictures and fills a room; the power- produces radio-isotopes, taken by a camera orbiting ful magnets wipe magnetic storage media such as credit bines these to form a cards and floppy disks and may harm patients with heart pacemakers; and, as with CT, it can only take

> To the rescue comes ultrasound imaging. As its name suggests, a high frequency sound is sent out and echoes become image. The machinery is small in charge of the methodol-

Image of X-ray film's

converted to pixels. With

CCD technology, a scintilla-

go-ahead to sell its technol-

ogy in the US. Trex Medical,

a US company, plans to use

can be detected.

rival begins to form

Digital X-ray imaging tic imaging examinations.

may be stored, reviewed and tor is needed to convert transmitted electronically. X-rays into light before they

With this technology at tured by Swiss company

their disposal, radiologists Swissray have been installed

will be able to transmit in hospitals in Germany.

liative care," Dr Weir says. as they realign with the Hospital, for example, use But competition between magnetic field, they emit PET to scan brains of people suffering from schizophrenia look at patients and decide who experience hallucinations, and inside the tumours of cancer sufferers.

The Medical Research which are incorporated into drug molecules to be injected into volunteers. The radio-isotopes emit positrons which, colliding with electrons, emit gamma rays in two directions. These are detected by a PET scanner. The radio-isotopes are short-

must be used speedily. Terry Jones, the professor

the way PET can show research chemists and doctors what happens to their

new drugs.

All four imaging tools are extremely powerful, opening up new areas of medicine. As well as helping doctors diagnose disease and iniuries, they have allowed them to carry out medical procedures inside the body without using scalpels.

An example of such a procedure, which should not be confused with keybole surgery, would be taking tissue samples of suspected tumours using a needle. Without CT or ultrasound, guiding the needle to pick up tissue in what may be a malignant tumour would be difficult.

That has led to what Dr Weir calls "turf battles" with surgeons, who regard such interventional work as their speciality. But Dr Weir believes that logic is on the radiologists' side.

"Radiology used to be a service for other doctors. Now it is a core clinical service and there is no reason why radiologists should not Doctors at Hammersmith be primary physicians," he says. Primary physicians are the doctors who take a first which specialist, if any, they should see - a role usually fulfilled by a general practi-

Dr Weir says this is part of a process in which the way doctors see a patient as "my patient" is changing to one whereby the patient is the

Other developments are also strengthening the position of radiologists. First, the machinery and

techniques that they are using are rapidly becoming much more powerful for sev-

MRI, CT and ultrasound

powerful, so does the

machinery

Some CT scanners, such as those from US company Imatron are now so fast they can follow motion in real time. in a similar fashion to ultra-

And the clarity and power of ultrasound images to distinguish between different types of tissue is, according to ultrasound equipment makers such as Seattle's ATL, allowing ultrasonographers to do some of the work previously allocated to CT and MRI specialists.

Secondly, radiologists are increasingly making use of contrast agents in CT, MRI and ultrasound. These chemicals increase image clarity.

They have been around for a long time: it is a standard in plain film X-rays for patients to swallow barium compounds that block the X-ray so that the picture shows the digestive tract clearly. New contrast agents may show various structures within the body more clearly.

In fact, one of the dangers of all these changes is the proliferation of let's-have-aaffect the subsequent treatment of the patient whatever it showed, especially in the US, where many doctors are paid extra for doing more

Dr Weir is determinedly optimistic. "The potential for medical imaging over the next few years is unlimited," he says. Even if that is over stating matters, it seems likely that patients visiting hospitals will see more of their radiologists than ever

Additional reporting by David Spark.

all rely on computers to turn. This concludes the series.



Human digits captured by digital X-ray Sterling Diagnostic Imaging

Electroniques of France.
The Regensburg research-Systems based on this ers produced clinical images technology and manufac- at half and even one-quarter the dose of film screen techsmall (15cm x 15cm) detector Switzerland and the Nether- was better at longer expo-lands. The company has sure times but the quality consultation with experts in recently been given the reduced with shorter exposure. Trials have begun using a 43cm x 43cm detector suitable for general imaging. the need for a scintillator

oped by the German com-

pany, Philips of the Nether-

lands and Thomson Tubes

CCD technology in breast imaging first, then in genreceive is thought to be eral imaging. Morgan Nields, chief executive of Fischer Imaging, a US company, says image ucts. David Gilblom, general quality is still debatable. manager, says Last should We all agree that image contrast is better with digi-Digital X-ray imaging has tal technology than film but three main applications: it still remains to be seen breast cancer screening, flu- whether resolution is bet-

approach to medical and general X-ray proce-imaging that does away with dures such as the skeleton. panel detectors made from either silicon or selenium. X-ray film is being used in These applications account Silicon flat panel detectors for 70 per cent of all diagnos- are basically thin films of silicon integrated with two Most imaging equipment dimensional CCDs, which manufacturers have digital are covered with a scintillaimaging programmes, with tor material. is replaced by a detector that converts light into an electric charge proportional to the amount detected. The signal is enhanced and discontinuous formula to the amount detected and discontinuous formula to the amount detected. The signal is enhanced and discontinuous formula to the amount detected. The signal is enhanced and discontinuous formula to the discon

> therapy beam. selenium. US-based Sterling Diagnostic Imaging is using this in a system that has recently been cleared for use in the US. Selenium removes coating so the technology is Another amorphous silitermed "direct to digital"

X-ray by Sterling.

section of the Cleveland

con system, Last or Large Area Sensing Technology. based Varian Imaging Prodbe available later this year on imaging systems from a year, has overseen trials of companies such as Picker, Sterling's system. He thinks while it is already in use in digital X-ray will change the Austria as a "portal imaging way radiologists interpret system for positioning the images of a patient. As

patient and verifying the images become increasingly available in digital form, The other type of flat there will be more software nology. Image quality on a panel detector is based on to help interpret the the semiconductor material data.

> But there are many unanswered questions. The amount of data that can be captured could be limited. and image quality may be better than film only in applications where a small area is being imaged. But as the cost of the components David Piraino, head of drops and clinical use computing in the radiology increases many of these questions Clinic Foundation, which

performs 80,000 chest X-rays Phil Greenfield

The writer is science and



RALPH ATKINS

# Bavaria flirts with 'zero tolerance'

Elections are imminent and the southern German state is adopting a hard line on lawlessness. But its reaction has several ugly and disquieting aspects

The security camera above the door is like a carbuncle. It is hardly an original feature on the Munich concert hall constructed in the 1820s by Leo von Klenze, of Bavaria. But the electronic eye is an apt emblem for today's inhabitant of the sun-yellow building embellished with white columns - the Bavarian ministry of the

This may be among the most affluent quarters of Germany (next door to the ministry is a Gianni Versace shop for those grown rich on the state's auto, engineering and electronics industries).

Bavaria also boasts one of Germany's lowest crime rates, with 5,816 offences per 100,000 inhabitants last year. and the highest clear-up rate at 64.3 per cent of cases. Yet. at least as far as crime policy goes, the conservative southern state is distinctly

A "security initiative" announced this month by Edmund Stoiber, Bavaria's prime minister, and Günter Beckstein, interior minister, has ratcheted up their hardline political rhetoric and proposes a series of measures which would break new ground in post-war Germany.

For example, children of foreign nationality living in the state who repeatedly commit offences may face expulsion, along with their parents. Other young criminals would be hit where it really hurts – with the removal of their car or moned driving licences. It is a "zero tolerance" policy against offenders. however minor the

Meanwhile, the government is using DM75m (£24.7m) proceeds from the

sale of a stake in an Austrian-Bavarian power generator to build more prison cells and equip its 30,000 police force with lap-top computers, linked via mobile telephones, in their BMWs. It is also expanding its network of "security watch" private individuals who guard car parks and

other vulnerable sites. Some of Bayaria's other ideas have already become common currency elsewhere in Germany - provoking concern among more liberal politicians. Bavaria, for instance, has pioneered a policy of "veiled searches". defining areas up to 30km behind borders and along railway lines and motorways where police may stop and search at random. Despite objections about the impact on personal freedom.

parliamentary leaders of Chancellor Kohl's centre-right coalition in Bonn this month announced plans to adopt the scheme at the federal level.

Why is Bayaria on its guard? It is hardly riddled with "no-go" areas; crime levels have risen only slightly in recent years. The city of Munich feels safe and the murder rate is a fraction of a US city's. An obvious explanation is

the approach of state elections on September 13. The ruling Christian Social Union is threatened with the loss of its absolute majority in the state parliament. "Domestic security in our state is no peripheral theme

but a central concern of all citizens," says Mr Stolber. Within days of the security initiative, the far-right Deutsche Volksprion, which won almost 13 per cent of the elections in April,

stand in Bavaria because of the CSU's "rightward lurch". But Bavaria's fixation on crime also reflects a changing geography. When once borders could be closely watched, Europe's Schengen accord on borders

has removed the controls

between Bavaria and

Austria. And Bavaria's other main neighbour - the Czech Republic - no longer lies behind an iron curtain. While Bonn, the seat of the federal government, has as near neighbours France. Holland and Belgium, Bavaria finds itself looking towards eastern Europe and

the Balkans. Germany's other federal states might be used to such historical upheavals; many were fashioned only after the second world war. But Bavaria's boundaries have hardly changed since Napoleonic times and it is as if the end of the cold war has knocked Bavaria's

confidence. Mr Beckstein, interior minister, says the increased flow of people and greater European co-operation is welcomed. But on top of fears of organised crime, he says there is a growing "wealth gap" in the state which is fuelling petty

"People want the easier movement and the absence of queues at the borders. But they don't want to pay for it through higher criminality." This clampdown on crime should not be overdramatised, however. The "security watch" system is not a vigilante organisation; volunteers are paid by the state and armed only with mobile telephones and

light-green armbands. Attempts to expel foreign children have been blocked so far in court and indeed it is unclear whether Bavaria has the legal right to take security initiative shows an announced that it would not ugiter side of the state.



## **UK hotel leads** the way in cut-rate fee for internet users

London's Millennium Britannia hotel claims to be the first in the UK to provide guests with access to the internet in their bedrooms without charging for the telephone calls. instead of going through the switchboard, laptop users will be connected via a fibre-optic link to the hotel's server. They will be charged a flat fee of £10 an hour or £40 a day, but will avoid paying for local

## Streamlining ticketless travel

telephone calls, which would be about \$24 an hour at the

hotel's rates.

US airlines are developing computer software to allow ticketiess travellers to switch between each other's with rival United, and Continental with America West. At present, passengers on flights involving more than one airline generally need tickets. If they book and pay electronically, they must do so separately for each part of the trip - and check their bags in again when they change alreraft. Existing software does not allow them to change easily to another

airline if the one they are flying with suffers disruption.

# Taiwan airline steps up flights

The Asian crisis has not affected all airlines equally. EVA Air, the Taiwanese carrier, remains confident enough to step up its international services. On June 3 it will start flying separately to Paris and Vienna from Taipei, Six days later it will launch services to Ho Chi Minh City and Los Angeles from Kaohsiung, operating three times a week to each

## Beirut/London flight planned

Beirut's renaissance has gathered enough pace for Middle East Airlines to add a sixth weekly service to London, As from June 12 the airline will operate a flight from the Lebanese capital on Fridays at 11.15am, arriving at Heathrow at 2.20pm. The return service will be overnight leaving at 10.30pm and getting to Beirut at 5am on

# Easier access to **Luton Airport**

Rall travel to Luton Airport, north of London, will become

Likely weather in the leading business centres @ = D = D = D = D = @ 17 \$ 18 \$ 18 \$ 21 \$ 2 8 2 8 × 8 × 8 × 8 × 8 × Los Angeles 👸 Z 👸 zo 👸 zı 🥰 zı Bu Bu Bu Bu Bu 

first phase of a new station opens nearby. Buses will shuttle passengers from a stop on the Themeslink line between King's Cross and only two minutes.

# Spanish group to run Lima hotel

Spain's Sol Melia hotel chain is to run its first hotel in Peru. From July it will take over management of the former Ritz, a recently refurbished five-star property near the commercial centre of the capital, Lima. To be operated under the Melia Confort brand, it has 156 rooms and 29 suites, a business centre and conference facilities.

## The office comes to the piste

It is becoming ever harder to escape the long arm of the office - even on the ski slopes. The disruptive chirp of mobile phones is already familiar on the piste. Now the US ski resort of Jackson Hole, Wyoming, plans to build a business centre slightly more than 9,000ft above sea level at the top end of its recently opened Bridger Gondola lift. Executives taking a break between runs will be able to send faxes, plug in their laptops and gain access to the internet. "We are experiencing more and more demand for it." marketing department.

# Easy living for **BA clubbers**

British Airways Gold and members flying domestically through Heathrow Terminal 1 finally have a stylish lounge, writes Gillian Upton. They may shower, sleep, browse in a library, work in a business centre or - as from the year's end - enjoy a massage.

In your head, my son

Sheila Jones finds there is a premium on off-the-ball

skills at the

modern soccer club Football has grown so rapidly as an The industry it was only a matter of time before management schools picked up on the potential for training

The University of Liverpool is offering 35 places on a full-time Masters in Business Administration course, specialising in football

It is the first post-graduate course "to focus on the rapidly expanding worldwide interest in the development, management and marketing of lootball", according to the students interested in a career in football with an understanding of the game and with core skills in business administration.

"Football managers in the past were often successful local businessmen who got never treated a football club the way they would treat their business," says Rogan Taylor, head of the university's Football Research Unit and founder of the Football Supporters Association. "They never saw the fans, for example, as customers, or treated them the way they would treat their own bust-

The "huge amounts of money" generated by the game mean clubs are looking for managers who see football as a business and know how the industry works.

They are also becoming less inclined to take on explayers with no experience off the pitch. "Where there is a lot of money involved, it's places follows a 20-place hardly the ideal sort of pilot year for the course appointment to recruit an which finishes in September. ex-player as commercial Alex Phillips, 27, is among director, even if he is well- the first year's intake. He liked and the club's former gave up a job in research

Students on the course receive training in the generic MBA skills in busithe organisational structures



Ground work: Rogan Taylor, head of Liverpool's Football Research Unit

based on independent research following a onemonth placement with a

football-related business or

organisation. This year's offer of 35 and marketing to complete

wanted to turn his interest ness administration, and in in the game into a career. "Traditionally, the football and social history of football. industry has had a 'jobs for

They are also expected to the boys' image, with people complete a dissertation getting into the industry because they have always been there," he says. "Football is something I'm interested in and I want to use my abilities and skills in

something I love doing." Demand is growing for people with the right skills. says Mr Taylor. "Some people were inclined to pooh-pooh the idea of an MBA in football, but now they are saying we need highly qualified people with an interest in the business world and an understanding of the peculiar and particular nature of football.

The game has become

"It's not like producing cans of beans. Liverpool does not want to push Manchester United out of business, for example, the way Heinz might want to [to one of its competitors]. It is an odd form of capitalism. What other industry is also expec ted to understand social problems such as racism? Pootball is social, commercial and cultural. And of course for some it's a reli-

extremely complex, he says

The course costs £3,200 for students in the UK and European Union, including placement costs, and £6,600 for students outside the EU.



# **Former Clinton** aide is named dean of Haas

UC Berkeley has appointed Laura Tyson, Bill Clinton's former chief economics dviser, as the new dean of its Haze business school. Pro Tyson will be the first women to take charge of one of the premier league business achools.

Prof Tyson, who will take up the position in July, joined the Berkeley faculty in 1977. She took leave from Berkeley in 1993 when President Clinton appointed her chair of the White House Council of Economic Advisers. In 1995 she became National Economic Adviser, returning to Berkeley in 1997.

Prof Tyson is an authority on US economic competitiveness, trade policy and economic relations between the US and Japan Prof Tyson will be the first

endowed dean at Berkele she will hold the title of BankAmerica dean in recognition of a \$2m donation from the bank.

## ABS launches award scheme

The UK's Association of Business Schools, In Cierical Medical and the Guardian and Observer newspapers, has taunched a UK award scheme for both MBA and undergraduate students.

On the MBA front the scheme gives a first prize of £2,000 and a second prize of 21,000 to MBA students who can best demonstrate how their programme will help them launch their own company or develop a new division or product area for their existing company. Distance learning, computer-led delivery and nenagement education in a high-tech world will be the subject of a one-day

ABS. The Virtual Classroom will take place on May 26. ABS: UK, (0)891 338260

# Transatiantic learning

Twenty employees at the London office of Dresdner Kleinwort Benson will be the first to "join" a class in computational finance to be run by Carnegie Melion University from its campus in

Pittsburgh. US participants on the two-year part-time masters course will be joined by the London cohort using interactive video. The link will be two-way, enabling the London class to question faculty and their US peers. UK, (0)171 475 6187

## Latin swap deal signed

The instituto de Empresa in Madrid has sloned an agreement to exchange students, faculty and res with INCAE, the Costa Rican-based business school The first exchange will be with the Latin American Programme for the Internationalisation of Small and Medium-sized Businesses, to be launched I early 1999.

 A former lecturer in American film history and consultant to the film industry has been named as director of research at IE. Dave Alien. has been professor of strategic management at IE IE: Spain, 1 562 8100

## Competition and trade conference

The European Institute for Advanced Studies in Management (EIASM), the European management networking group, will hold its next conference on Competition and International Trade in Brussels on May 29 and 90. EIASM: Belgium, 2 511 9119

rmation for News from Campus should be sent to Della Bradshaw The Financial Times, One Southwark Bridge, London SE1 9HL Tel. 44 171 873 4673 Fax 44 171 873 3950



# Family values replace the dash for cash

Business superstars are no longer the heroes they once were, even for MBA students, writes Della Bradshaw

to. They are the most respected individuals in the MBAs at 10 of the top US to a survey by the Fuqua School of Business at Duke University in North Caro-

They received more than 11 per cent of the vote, more than double that for the next most respected person, Microsoft's Bill Gates, who scored only 5 per cent.

All in all, business people most respected people, five

have a lot to live up only four were business. Duke, who compiles the surpeople - Bill Gates, Warren Buffett, Andy Grove and world among graduating Jack Welch. (The other three favourites, in descending business schools, according order, were Jesus Christ. Pope John Paul II and

> The survey appears every two years and charts the differences in the goals, attitudes and employment natterms of some of America's brightest MBAs.

The increasing respect for sharply with results from a decade ago, says Daniel to walk away from a job if it. The most popular career is Nagy, director for career ser- doesn't offer it," says Mr still consulting (32 per cent) fared pretty poorly. Of the 12 decade ago, says Daniel

Fathers, it seems, were family members and vices and placement at vey. Then, family members appeared towards the bottom of the list, and the poll-toppers were the financial wizards of the day, arbitrageur Ivan Boesky and bond-trader

The shift is indicative of a growing emphasis on family life rather than financial gain, a trend which has gained particular momentum over the past four years. Time with the family is provfamily members contrasts ing increasingly important. This generation is willing

to do that." Having a successful mar-

riage or relationship, physical health and strong ethics are the three goals rated most highly by respondents. A successful career slots into fourth place. Making a lot of money is

down in 12th position. Nevertheless, the average starting salary this year will be \$77,224 (£46,241.90), up from \$89,387 in 1996. Eighty per cent of respondents will also receive a sign-on bonus averaging \$17,923, and 37 per cent a guaranteed annual

(together accounting for 31 per cent of graduates). Sixty-four per cent of

respondents said that they would not work in certain industries because of ethical concerns. Too of the blacklist were tobacco producers (91 per cent) - perhaps surprising in an area where economic prosperity has been built on tobacco. Second came alcohol manufacturers (22 per cent); defence contractors (12 per cent) came

The survey was conducted in April this year and 1,400 questionnaires were sent to graduating MBAs from 10

Nagy. "They all have three followed by investment (Dartmouth), Fuqua (Duke), job offers, so they can afford banking and finance Kelley (Indiana), Kellogg Kelley (Indiana), Kellogg (Northwestern), Anderson (UCLA), Chicago, Katz (Pittsburgh), Texas at Austin. Darden (Virginia) and Wharton. The response rate was

43 per cent. The report also revealed that women MBAs are twice as interested as men in having the opportunity for an in-depth conversation with Bill Gates. And when asked who they would like to sit next to on an aeroplane, 3 per cent of women - but no men - said they would like to sit next to Hillary Clinton. Only the male respondents said they would like to sit next to supermodel Cindy business schools: Amos Tuck Crawford.



TIM JACKSON ON THE WEB

# Gateway to opportunities on the internet

Two separate deals - one involving Motorola and Teledesic, the other AOL and ICQ - illustrate the chances to generate revenues on and beyond web sites

recently been talking about the value of "portals" - busy web sites that generate high revenues from advertisers. But portals are not just web sites, as two deals made public last week illustrate. The first is the acquisition

internet investors have

by Motorola of a 26 per cent stake in Teledesic, the company that plans to launch a network of 288 satellites offering broadband worldwide access to the internet. In joining forces with Teledesic, Motorola Is abandoning its efforts to develop a broadband satellite communications network called Celestri and acknowledging that the risks of competing against a company founded by Bill Gates, Microsoft chief, and Craig McCaw, the cellular phone pioneer, were too

great for comfort. For Motorola, the deal is an insurance policy against the obsolescence of Iridium, the network it founded that

will go live in September offering a global mobile phone service via satellite. Although Iridium will have a few monopoly years, before rival services start, the launch of Teledesic in 2003 will make tridium's low-bandwidth service far less attractive to consumers.

This is the third big equity investment for Teledesic, after a round with Boeing last year and an equity sale to a Saudi Arabian prince this year. making it easier to go public quickly. The price of the Motorola deal has been headlined at \$750m (£449m): the small print reveals this is a "valuation" based on the combination of cash and the development work being redirected from the Celestri project. For a business that Mr McCaw and Mr Gates put

\$10m into less than two

years ago - which has

launched just one test

satellite and is still five

years away from revenues -

a \$3bn valuation is not bad going. There is also the advantage, in Richard Nixon's memorable phrase, of having Motorola "inside pissing out rather than outside pisatog in". The second deal is not

official yet. But the Wall Street Journal reported on Thursday that America Online is in talks to acquire Mirabilis, the company that developed the ICQ instant-message system, for about \$300m. ICQ was founded on the idea of taking the "buddy list" technology invented by David Gang, a senior technologist at AOL, to the wider internet. It is a free service that allows anyone with an internet connection to exchange instant one-liners with friends across the internet in a single screen window, without having to check

mail and create messages When ICQ was first

summer, it claimed 3m users. On April 7 it passed 10m. Although it has not yet generated any revenue (it is free to users and carries no advertising), ICQ's web site (www.lcq.com) has become the fourth most popular destination after Yahoo! Netscape and Microsoft. Mirabilis claims it generates more "page views" every month than even Yahoo!.

If the deal goes through (both companies refused to comment), the Mirabilis founders, four Israelis in their 20s, will make \$20m or more each for 18 months' work. For its part, AOL has made no secret of its ambition to extend its market power from the 12m US and 2m foreign subscribers using its online service to the rest of the internet's users too. The AOL.com web site was a first move in this direction and the opening of AOL's own message service to non-AOL customers a second; acquiring 10m or more ICQ users would be a

dramatic third. At first sight, \$30 a customer may seem a high price to pay for a service free to its members. But compared with the \$273 it paid for each AOL subscriber in late 1996, the

ICQ price tag looks modest. Both ICQ and Teledesic are internet portals whose web site is a side-show: ICQ because its users keep a communications window open on their computer screens, and Teledesic because it will control the way its users access the net. A launch date is so far away that Teledesic bas probably

barely begun to think about how its service will look to users. But the @Home cable internet access service covered in last week's column shows how many revenue opportunities there are to a company controlling the internet interface used by its customers. Teledesic's opportunity will be all the greater, since it will address hundreds of millions of

of cable networks. Teledesic is not the only company seeking to create a hardware portal. Gateway, the US direct seller of PCs. has become an internet

rustomers beyond the reach

service provider, providing the non-expert buyers of \$500 PCs with easy and instant access to the internet. In Europe, Sony is also rolling out an online service.

Marine,

Given the company's depressing experiences in Hollywood, investors should hold on to their wallets when they hear the word "synergy" - but there is an opportunity to develop an ISP business that bolsters sales of software and computer and electronics hardware, and perhaps helps connect phones and games machines to the net. And the final hardware

portal? Well, look at the antitrust case against Microsoft. In one sense, its tough tactics against Netscape constitute an attempt to extend an operating system monopoly into a browser monopoly. Alternatively, one could view its pressure on PC manufacturers to bundle the Internet Explorer browser into their products as an attempt to create a hardware portal of its own.

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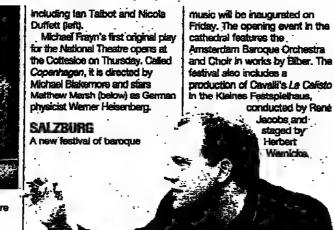
THE ARTS

Finnish virtuoso Jaakko Kuusisto, accompanied by the Jupiter Orchestra, gives the world premiere of a Violin Concerto by Johann Nepomuk Hummel (1778-1837) tomorrow at St John's, Smith Square, Parts for he unfinished work were found in the British Library by Gregory lose, who has compl edited the score.

London's outdoor theatres open their doors this week. The first new production of the on at Shakespeare's Globe is As You Like It, directed by Lucy Bailey, with Anastasia Hille as Rosalind. The opening performance is a matinée on Thursday. Richard Olivier directs The Merchant of Venice, which opens on Friday. Presented alonoside it is an education



Rachel Kavanauch's production of A Midsummer Night's Dream returns to the Regent's Park Open Air Theatre tomorrow, with a new cast



GÖTTINGEN

The Handel festival in one of Germany's oldest university towns gets underway on Thursday at the Deutsches Theater. This year's new production is Tolomeo, conducted by Nicholas McGeo and staged by Drew Minter.

Bonn

Birwingham

The latest exhibition in the "Great Collections" series organised by the Kunst- und Ausstellunoosh is devoted to the Petit Palais in Paris. Opening on Wednesday the show concentrates on the museum's holdings of 19th century French art.

The Birmingham Royal Ballet opens a season at its home eatre, the Hippodrome, on



(replete with torture and some

NEW YORK

Company's two-week residency at the Brooklyn Academy of Music continues this week with the opening, tomorrow, of Gregory Doran's production of Shakespeare's rarely performed Henry VIII. starring Paul Jesson and Jane Lapotaire (left). Krapp's Last Tape, by Samuel Beckett, opens on Wednesday, and stars Edward Petherbridge. who co-directed with David

TOKYO On Friday another touring Royal Shakespeare Company production opens a two-week season in Japan. Directed by Michael Attenborough, Romeo and Juliet is at The Globe Tokyo, and then, from 12 June, at the Kintetsu Theatre in

**OPERA** OPENING OF THE GLYNDEBOURNE SEASON

# Back to school for Mozart's lovers

Graham Vick's new production of 'Così fan tutte' as opera-in-rehearsal is full of contradictions, writes Andrew Clark

There are a lot of insoluble viable, for Mozart's "school contradictions in Glyndebourne's new Cost fan tutte. How does an excellent young cast, led by Katarina Karnéus's sparky, sexy Dorsbella, find itself enmeshed in such an excruciatingly dull performance? Why does Graham Vick's staging begin with the idea of Cost-as-rehearsal, but fail to offer any development of character and situation? What does Glyndebourne hope to achieve with a new Mozart/ da Ponte cycle, when the first instalment is so poorly thought through?

in a programme note, Vick proposes "a laboratory experiment into the behaviour of men and women". His inspiration, he says comes from the cold, cruel strand of Enlightenment philosophy binding Cost and Les ligisons dangereuses, lt's a legitimate approach: let's modern rehearsal room, with free ourselves of the histori- its director's chair, stagecal, geographical and inter- crew and all the expectapretative associations with tions such a scenario which Cost is burdened; let's arouses. If we are going to study it as a form of "dra- see it as a rehearsal, let's matic anthropology", with have some real insight into singers dressed in T-shirts how a rehearsal works. Let's - well-endowed in all depart-

Cosi doesn't need "any kind in and out of character, fallon to describe the very context in which he wants us to emotional dilemmas. Such a view it - as an opera scenario could well match

for lovers" is a rehearsal for life, in which young people before reaching a fixed

Vick can't have it both ways. A clinical study of starts to direct as the over-young people's relationships ture draws to a close, while would require a neutral set-

The production falls between two stools, starved of humour on the one hand and emotional depths

on the other

ting - not Richard Hudson's context at all". Vick goes ing into relationships and

As it is, the production falls between two stools. try out different partners starved of humour on the one hand and emotional depth on the other. We begin with the rehearsal: Alfonso Ferrando and Guglielmo gesture dismissively at the parts he expects them to

> By the third scene, everyone has reverted to type and the women are never again seen out of character. Vick pays lip-service to the rehearsal" by having stagehands appear at various intervals to give cues, which they wouldn't do in real life. It looks like a shoestring production – monotonous in appearance, bloodless in content. Like so much of his recent work. Vick's Cost has no inner logic; even the game of musical chairs during Gugiielmo's Act 1 pattersong comes across as a

superficial effect. a cast with enormous poten-tial. Karneus is a bombshell pariners on stage, a knowing comédienne with a natural identifying with Mozart's stage manner and a beauti-Frittoli's Fiordiligi is inevita- her personality. rehearsal. This is equally the duality of Cost - if it was bly quieter by comparison -



with disarming ease. Natale de Carolis is the perfect Guglielmo: a soft-centred, masculine baritone matched to Philharmonic adopts as More's the pity, for this is slim good looks. Roberto many "period" mannerisms Sacca's Ferrando is not in as it can - but there's little sioned score; it bespoke a the same class - his pushed sense of dialogue within the conductor, Yakov Kreizberg, But having stated that manently on stage, stepping audience as much as her iela Mazzucato's tall, blonde pleta", the performance have never heard the nerve-Despina shows plenty of unfolds as a succession of ands of Janacek's music pul-promise, but like Alan Opie's unexceptional allegros. led so taut. Christian urbane Alfonso, she needs a

the performance. He tries Mozartian - the London

Delicious romp sets the stage alight

fully placed voice. Barbara director who can draw out It was hard to believe that the orchestra which sounded Andrew Davis conducts an so ansemic in Thursday's bia of the title character, younger lovers. Neill Glyndebourne's finest.

but this fits the part, and she unusually full text, which Cosl could respond with Nikolaus Lehnhoff's 1988 Archer's Tichon is a powerdespatches her two big arias only adds to the tedium of such extremes of intensity staging, set against the ful portrait of weakness; and sensitivity for Saturhard to sound a natural day's revival of Katya Kabunova.

This was not just a case of a more Romantically impas-

production so in tune with

vibrant colours of Tobias Andrew Shore, as Dikoj, cap-Hoheisel's semi-abstract tures the clipped mannersets, comes across more arrestingly than ever with a Helga Dernesch's Kabanicha new cast headed by Amanda Roocroft. She gives the performance of her life - a tone is a matter of taste - orchestral parts. Apart from with a rigorous command of stark, swirling roller-coaster sive, not comical; and it is have a cast and planist perments, eager to flirt with the but he acts with spirit. Dan- an extremely slow "Per outline and inner detail. I of visions and nightmares, in too much of a sermon to which we share her every have Kabanicha addressing

> Nor have I witnessed a dapper wastrel, while Timo- responsible for Katya's thy Robinson and Linda death. the emotional claustropho- Tuvas make a vivid pair of

isms of the provincial tyrant. with Dikoj should be repulthe audience at the end, as if



Fine pair: Agnès Letestu and Laurent Hilair

BALLET **CLEMENT CRISP** 

Don Quixote Paris Opéra Saled

The Paris Opéra Ballet is beginning a very busy summer. At both the Palais Garnier and the Bastille, performances are scheduled until filling works which will - corn - that is to say, more mance, led by Agnès rest assured - fill the and more dances, many of Letestu, new to the role of houses. And the ballet them very corny indeed - Kitri this season, and Laurtroupe is sufficiently strong are forced in to provide us ent Hilaire, all dark charm (and sufficiently sure of its with the choreographic and impeccable technique. a dashing way with the girls public) to be able to play two equivalent of paté de foie

dear, irrational and, frankly, be doubled, an ensemble an extra dash of pimento for chicken-witted old charmer made to mirror itself, then the first act variations. is that of a man cramming a so be it, and let us all anjoy (Shades of Plisetskaya and Strasbourg goose for our excess to the full. delectation. More and more gras. The result is delicious Letestu has Ingres-pure line, ing. This week, while half when served up by the and the classic assurance to

dance to it - sets the stage

I saw Wednesday's perfor-They make a fine pair. Mile

the troupe prepares to Opéra's dancers. They are, make the big set-pieces glitist, the rest of the ensemble ish, toreros, dryads, and a sophisticated Kitri, a cut romped through Nureyev's marvellous at every above her family surround-Don Quizote with whatever moment. The Nureyev for-ings, and she offers wit is the dance equivalent of mula – if there's music, rather than exuberance. I thought her lovely, though Nureyev's view of this alight; and if a variation can with experience she will find Ninel Kurgapkina who made them firework displays.)

Hilaire is an up-market costs in his salon - but with and an even more dashing way with the dances.

launch into Romeo and Jul- variously, Spanish, gypsy- ter like real diamonds. She is ally appetising. Nicholas Georgiadis' designs are as stylish as can be, and combine serious historic sense (the period seems that of Goya) with abundant wit, and flame-bright clothes.

The dancing was uniformly good. Lionel Delance was a most polished Espada. and in the big classic ensemble of the vision scene. how good to see Marie-Agnes Basilio - I shudder to think Gillot soaring through her what a short-back-and-sides variation, and Geraldine Wiart making Cupid's variation - which is often a nasty outbreak if the again the Opéra procutes - into a display Everything about the per- of dazzling footwork and and very illuminating.

delight in the dance. (The last major role I saw her dance was a searing interpretation of the Chosen Maiden in Pina Bausch's Rite of Spring. Here is an artist to reckon with.)

I also lost my heart to Clairemarie Osta and Cecile Sciaux as Kitri's two friends: so pretty, so bright, so much praise for Laurent Queval as a ninnvish, teetering Gamache, all gloves and

A splendid evening in sum, and one benefiting Opéra orchestra under David Coleman. And as a theatrical note, let me commend yet grammes: very handsome,

# INTERNATIONAL

# Arts

# **BALTIMORE**

**EXHIBITION** Walters Art Gallery Tel: 1-410-547 9000 Monet: Paintings of Giverny from the Musée Marmottan. 22 paintings of the gardens of Monet's estate. Photo murals and works from the collection are shown alongside the touring works; to May 31

## BARCELONA EXHIBITION MUMMI Picassi

Tel: 34-3-319 6310 Egon Schiele: The Leopold Collection, 152 paintings and drawings on loan from the largest private collection of Schiele's work in the world; to May 31

## BERLIN CONCERTS

**Philharmonie** Tel: 49-30-2548 8354 Berlin Philharmonic Orchestra: conducted by Bernard Haltink in works by Bartók and Brahms. With soloist András Schiff; May 25 Berlin Philharmonic Orchestra:

conducted by Bernard Haltink in works by Schubert and Shostakovich. With soloiet Matthles Goerne; May 29, 30, 31

### **CHICAGO** CONCERTS Orchestra Hall Tel: 1-312-294-3000

 Chicago Symphony Orchestra: conducted by Daniel Barenbolm in a concert performance of Fidelio. With the Chicago Symphony Chorus; May 26, 28 Chicago Symphony Orchestra: conducted by Daniel Barenbolm in Beethoven's Symphonies Nos. 6 and 7; May 29, 30 Chicago Symphony Orchestra: conducted by Daniel Barenbolm In a concert performance of Fidelio. With the Chicago Symphony Chorus; May 31

www.chicagosymphony.org

## EXHIBITIONS Museum of Contemporary Art Tel: 1-312-280 2660

Cindy Sherman: retrospective tracing the New York-based artist's development from the 1970s to the 29, 31 present; to May 31, then touring FLORENCE

# OPERA

Maggio Musicale Fiorentino Tel: 39-55-211158 www.maggiofiorentino.com
• Le Comte Ory: by Rossini. New production conducted by Roberto Abbado in a staging by Lorenzo Mariani; ETi-Teatro della Pergola; May 27, 28, 30 ... ■ Wozzeck: by Berg. New production by William Friedkin,

conducted by Zubin Mehta; Testro Comunale; May 26, 29

# GLASGOW

Scottish Opera, Theatre Royal Tel: 44-141-332 9000 The Queen of Spades: by Tchaikovsky. Conducted by Richard Armstrong in a staging by Yannis Kokkos; May 28

## GLYNDEBOURNE **OPERA**

Glyndebourne Festival Opera Tel: 44-1273-815 000 Così Fan Tutte: by Mozart. Nev production by Graham Vick, conducted by Andrew Davis. Cast includes Alan Opie and Barbara Frittoil. With the London Philhamonic Orchestra; May 30 Katya Kabanova: by Janáček. Revival of Nikolaus Lehnhoff's production, conducted by Yakov Kreizberg, with designs by Tobias Hoheisel, Cast includes Amanda Roocroft, With the London Philharmonic Orchestra; May 26,

## HELSINKI **EXMITERITY** Museum of Foreign Art,

Sinebrychoff www.fng.fi Luxury: Gold and Jewellery of Pompeii. 150 Items including pendants, rings and bracelets displayed to mark the 250th anniversary of the beginning of the excavations; to May 31

Finnish National Opera Tel: 358-9-4030 2211 Siegfried: by Wagner. Conductor Leif Segerstam, director Götz Friedrich and designer Gottfried Pitz continue their collaboration on the Ring with this new production. The title role is sung by Stig

### LONDON CONCERTS Barbican Hall Tel: 44-171-638 8891 London Symphony Orchestra: Andre Previn conducts a

Andersen; May 29

Previn and Schumann; May 31 Royal Festival Hall Tel: 44-171-960 4242 The Royal Opera: Die ägyptische Helena, by Strauss. Concert performance, conducted by Christian Thielemann. Cast includes Deborah Voigt and Thomas Moser: May 25 Vienna Philharmonic Orchestra:

programme of works by Copland,

## EXHIBITIONS National Gallery Tel: 44-171-839 3321 Henry Moore and the National Gallery: this celebration of the

centenary of Moore's birth consists

conducted by Riccardo Muti in

works by Brahms and Stravinsky;

Tate Gallery Tel: 44-171-887 8000 Per Kirkeby (b,1938): continuing the series of contemporary

in a selection of his favourites

among the Gallery's holdings; to

sculpture displays, this exhibition includes paintings, sculptures and a specially constructed brick structure by the Danish artist; to

## MUNICH CONCERTS

Philharmonie Gasteig Tel: 49-89-5481 8181 Bavarian Youth Orchestra: conducted by Reinhard Steinberg in works by Brahms and Berlioz. With piano soloist Paul Rivinius; May 27

 Ivo Pogorelich: recital by the plantst of works by Rachmaninov, Granados, Prokofiev and Chopin; May 25

## **NEW YORK** CONCERTS

Lincoln Center Tel: 1-212-721 6500 www.lincoincenter.org New York Philharmonic: world premiere of Del Tredici's The Spider and the Fly, for Vocalists and Orchestra, conducted by Kurt Masur. The programme is completed by works by Copland, Vivaldi, Weber and Ravel; May 28, 30

## EXHIBITIONS Museum of Modern Art Tel: 1-212-708 9480 www.mome.org Chuck Close: retrospective of the American painter, comprising

90 works and ranging across his career; to May 26 Fernand Léger (1881-1955): retrospective comprising some 220 paintings and drawings by the

# early modernist; to May 27

## PARIS CONCERTS

Théâtre des Champs Elysées Tel: 33-1-4952 5050 Orchestre National de France: conducted by Yuri Temirkanov in Rachmaninov and Elgar, With plano soloist Yefim Bronfman:

May 28 Vienna Philharmonic Orchestra: conducted by Seiji Ozawa in works by Brahms and Stravinsky, May 26

## **PRAGUE** CONCERTS

Dvorak Hall Midori: recital by the violinist of works by Beethoven, Brahms, Szymanowski and Saint-Saëns. With pianist Robert McDonald;

Emerana Hall Kathleen Battle: recital by the soprano of works by Handel, Wolf, Faure, Rossini and Turina. Accompanied by pianist Roger Vignoles; May 28

# **SALZBURG** CONCERTS Salzburg Cathedral

Amsterdam Baroque Orchestra: and Choir: conducted by Ton Koopman in a concert which opens a four-day festival of Baroque music; May 29

SAN FRANCISCO CONCERTS

Davies Symphony Heli Tel: 1-415-864 6000 www.sfsymphony.org San Francisco Symphony Youth Orchestra: conducted by Alasdair Neale in works by Bernstein and Rachmaninov: May 31

## TOKYO CONCERTS

Suntory Hall Tel: 81-3-3584 9999 City of Birmingham Symphony Orchestra: conducted by Sir Simon Rattle in works by Brahms and Beethoven, With violin soloist Ida Hendel; May 26

## TV AND RADIO WORLD SERVICE BBC World Service radio for Europe can be received in western

Europe on medium wave 648 kHZ EUROPEAN CARLE AND

## SATELLITE BUSINESS TV CNN International

Monday to Friday, GMT:

96.30: Moneyline with Lou Dobbs 13.30: Business Asia 19.30: World Business Today 22.00: World Business Today

## Business/Market Reports: 05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20;

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

# It's time for free time

Reform of the US campaign finance system should concentrate on removing the need to raise big money to purchase TV time

campaign finance system needs a new focus: free television time for candidates. President Clinton has asked the Federal Communications Commission to adopt a rule requiring it, but opponents are challenging the FCC's authority to do this. Free TV time offers the

best option for campaign , finance reform because it goes to the beart of the problem of big money, and involves no challenge to the First Amendment and its protections of free speech. Legislative proposals for

reform seem to be going nowhere. The McCain-Feingold bill, one of the original proposals for reform in the Senate. is being stymied; the Shays-Mechan bill in the House, meanwhile, focuses on banning contributions from unions and corporations, as well as limiting money from political action committees (PACs) and so-called "attack advertisements". Even if it were assed, it would face a constitutional challenge because it would limit political speech and would run afoul of previous Supreme Court

Instead of focusing on reducing the ceiling on spending, reformers should shift to a strategy of "raising

Big money has undermined public confidence in the US political process because big money buys access and violates the principle of one person, one vote. As oilman Roger Tamraz told the Senate's governmental affairs committee last year, "if they kept me from the door, I'd come through the window . . . Next time, I'll give \$600,000". Such behavcorrodes the democratic process. It is no wonder that polls show a decline in pub-

Much of the campaign driven by the need to pur-



Attack! Conservative activist Floyd Brown knylled viewers to listen to alleged flove tapes' in 1992

chase television time. TV broad support among small has changed our political individual contributors. Candidates could be required to process from retail to wholesale. Instead of neighbouragree to public debates, and hood coffees and local politiappear in their ads in percal structures, campaigns son, something that has been shown to limit negativtoday are driven by marketing consultants. Parties have ity in the past. The total become a mechanism for costs could be capped at raising money for television \$500m per two-year electoral campaigns. The cost of politcycle, or about % per cent of ical TV ads rose from \$25m broadcasters' advertising in 1972 to \$400m in 1996, four The benefits include times the rate of inflation. Moreover, their content has reduced pressures for fundraising, and a more level become much more negative, playing field from the one resulting in a general denigration of politics and govthat now favours incumrnment. Experiments show

bents or rich candidates. Free TV was included in that negative ads mobilise each politician's base of comthe McCain-Feingold hill, but it was unfortunately linked mitted partisans, but they tend to make the middle votto voluntary limits on expeners drop out in disgust. That diture. The bill's sponsors partly explains why, as polls dropped the provision show, Congress is far more because incumbents feared polarised politically than is it, and the National Associathe general electorate tion of Broadcasters lobbled How would free TV work? heavily against it.

The NAB is going to war There are various proposals again to block the proposed including one for creating a FCC regulation which Clinbroadcast bank of minutes with commercial time proton and some 83 members of vided by broadcasters who Congress support. Contrary to broadcasters' arguments, have been liceused for public transmission. Half the time however, Supreme Court in the bank would go to the precedents suggest that free political parties for candi-TV would not violate either quest for big money is dates, and the other half the First Amendment or be would go to candidates with an infringement against

erty being the broadcas license) under the Fifth

reflecting the public's decline of confidence in the current process also show that two-thirds of the public favour free TV. The vote of no confidence in the current system is showing up on come tax forms as reduced political contributions. The nublic wants something more for their money.

Free TV is not a panac but it is an important step in helping to level the playing field and restoring public trust. It does not solve the problem of "issue ads" run by special interest groups as adjuncts of political campaigns, but it does ensure that candidates, both incumbents and challengers, will be able to respond.

It is a more realistic campaign finance reform measure because it raises and levels the floor instead of trying to lower the ceiling.

The author is dean of Harvard's Kennedy School of the recent book, Why People Don't Trust Government (Harourd University Press)

# LETTERS TO THE EDITOR

# US risks stagnation if net lending driving growth were to fall

Sir, Is Gerard Baker May 18) being complacent about the debt situation in

In the fourth quarter of cial" debt was more than 10 per cent higher, as a proportion of gross domestic product, than at the end of 1991-Expenditure associated with this expansion of lending has been the driving force behind US growth during the past six years. The evidence for this is that total private expenditure over this period has risen 9 per cent more than disposable income, while fiscal policy has been tight and net

The real flow of net lending, though very high (nearly 10 per cent of income ("Unusual danger signs", at end-1997), is still below previous peaks. It can go on rising for a time but this cannot continue forevet surely not more than a year 1997 the growth in the real or two at most. My concern stock of private "non-finanis that when expansion of net lending slows or falls.

> remains restrictive and net export demand is falling fast. The effects of any turn round in lending would be aggravated if there were fall in the stock market.

there will be nothing to keep

the US economy from stag-

nation, since fiscal policy

Jerome Levy Institute Blithewood, New York 12504-5000, US

# Debt analysis ignores facts

Sir, Martin Wolf ("Soft heart, soft head". May 12) is correct in calling for the analysis of debt and poverty to "start from the facts" Unfortunately, he proceeds to ignore his own advice.

His criticism of Oxfam's view rests upon a dubious proposition that the scale of lebt relief is irrelevant if the debtor nation is a net recipient of resources. Debt servicing levels are important because the fiscal burden they impose on poor countries is a formidable barrier to poverty reduction. Debt relief can lower that barrier if aid flows remain

In Tanzania debt servicing absorbs more than 30 per cent of public spending nignificantly more than basic health and education combined. This is a country where easily preventable dis-

Japan's policy board was

mulling the opposite prob-

lem: how to tackle recession.

In the event, the board did

nothing - other than declare

rates unchanged at 0.5 per

ment went, but Japan was

different. After all, the coun-

try is dominated by cozy

cliques of bureaucrats. A

policy board would be just

latemae - or "outward

show", as the ubiquitous

Japanese phrase is trans-

Yet for once the cynics

might not be entirely right.

Three meetings down the

road, the policy board is

One reason is that it has

not been entirely stuffed

with "yes" men. In addition

to three Bank of Japan exec-

utives, there are six "outsid-

ers", including earthy indus-

trialists such as Nobuvuki

Nakahara, the former chair-

man of general trading

group Tomen, and Toshio

Miki, the former president of

Nippon Steel. There is an

impressive academic. Kazuo

Ueda, and even a woman.

Eiko Shinotsuka, who is also

Another reason for the

board's prominence is that

the bank's once-untouchable

bureaucrais have been bat-

tered by by public criticism.

and scandals. In March a

corruption scandal forced

the former governor and

deputy to resign. Since then,

another bank executive has

committed suicide. Two

an academic

influential than expecte

se claims the life of one child in six. Try telling Tapzanian children debt doesn't

On conditionality, we have consistently argued that debt relief should be used as an incentive for poverty reduction. Governments willing to convert savings from debt relief into social investments would be rewarded with earlier and deeper debt relief, all subject to stringent international monitoring.

Such an approach would help to kickstart the International Monetary Fund-World Bank initiative which, for all Mr Wolf's protestations, is not realising its potential.

Stewart Wallis international division Oxfam GB, 274 Banbury Road Oxford COLE 7DE, UE

# EU must grasp opportunity to introduce tough code on control of weapons sales

and others.

introduce tough new con-EU general affairs council meets in Brussels to thrash ing arms exports from all EU exports countries".

While this is a comme

ible achievement, key ele-

ments of the code remain unresolved. In the final negotiations it is crucial that EU governments adopt con-trois at the highest possible level if the code is to be effective and meet its important stated objective. The

imperative to do so is particularly relevant with the impending restructuring of the European defence industry. This will put pressure on BU member states with restrictive national arms

> Tougher, unequivocal export guidelines, particularly on human rights, are essential. Furthermore, the mechanisms for consultation between member states on the granting of export licences must be strengthened if they are to have a noticeable impact on under cutting - the practice of one EU government granting export licences that another

export controls to lower

them in order to remain

overnment has refused. The code must also ensure that EU member states are accountable for their arms exports to national parliaments and, collectively, to the European parliament. There is presently no provision for this in the propos-

H EU member states can. emphasise that it will be continuously reviewed and

From Mrs Glenys Kinnock strengthened, then they will set an important precedent Sir, Foreign ministers of for other international arms the European Union have a control initiatives. We urge vital opportunity today to European governments to make the important decisions in Brussels today which will have a real impact in helping to reduce the human suffering and ont the final details of a code of conduct "setting high common standards govern-by irresponsible arms

> Glenys Kinnock, UK, vice-chair of the ACP-EU joint assembly. Lord Plumb, UE, chair of ACP-EU joint assembly. Pauline Green, UK, leader of the group of the party of European socialists. cialists, Ufried Martens, Belgium, air of the group of the Curis-ton Democrats, agua Aelvoet, Belgium, chair Magda Aeivoct, Despo of the Green group, Christoph Kourad, Germany, member of the sub-committee on security and disarmament, Elisabeth Schroedter, Germany,

of the parliamentary delegat to the member states of Ase South East Asia and the Republic of Rores,

José-Maria Mendiluce, Spain, vice-chairman of the foreign affairs committee, Carlos Carnero, Spain, member of the human rights sub-Concepció Ferrer, Spain, member of the human rights

committee,
Ama Terron I Casi, Spain,
member of the committee for
civil liberties,
Josep Pons Grau, Spain, member
of the development committee,
vice-president of the ACP-EU
controller

Viagra fall

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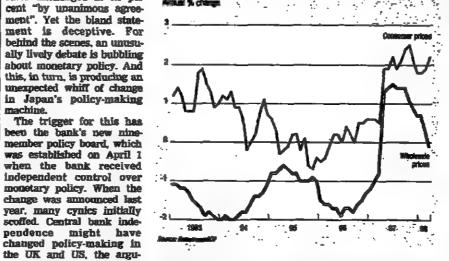
Number One Southwark Bridge, London SE1 9HL

We are learn to encourage letters from readers worldwide. Letters may be fixed to +44 171-673 5006 (set fex to "line"), europe

# **ECONOMICS NOTEBOOK GILLIAN TETT**

### True debate can be avoided. I am tiously optimistic about deflationary spiral? That is the issue arousing passions inside the takes a bow Bank of Japan this summer. As the US Federal Reserve met last Tuesday to decide whether to raise rates to cool the US economy, the Bank of

The Bank of Japan's new independent status is prompting fresh ideas and unusually lively monetary discussions



more top executives are expected to leave soon. Consequently, only one of the bank's former top six officials has survived in post.

the board has produced something rare in lively argument. Monetary policy is currently at an odd juncture, with voices in

appear to favour an interest rate cut later this year if the Japanese economy does not PECOVER. This is partly because of

The upshot of this is that dellation fears. Although retail price inflation was boosted by last April's 2 percentage-point consumption tax increase, wholesale prices are falling (see chart). "The wholesale price index

Another reason for the board's prominence is that the bank's bureaucrats are battered. In March a corruption scandal forced the former governor and deputy to resign

Japan calling for both a rate usually feeds through to the the outlook for economic and price developments", as Mr Ueda says. the minutes of the April 9 meeting coyly put it.

None of the members agrees with Japan's politicians that rates should rise. Politicians want this to boost savers' returns on deposits and thus counter hara. Mr Miki and Mr Ueda.

rise and cut. In addition, pol- consumer price inflation icy board members "have after six months or so. So we slightly different views of may see negative price growth later this summer,"

Yet three others, including Masaru Hayami, the governor, oppose any rate cut, as this might weaken the yen and deflation may anyway into tatemae. It would be be averted by the government's recently announced Y16,700bn stimulus package. consumer gloom. But some As Susumu Taketomi, members, such as Mr Naka- another board member, says: "I think vicious deflation

tiously optimistic about the

This being Japan, disagreement is politely phrased: unlike the UK, the minutes avoid the embarrassment of showing who argued for what. The split is nevertheless still encouraging. Not only is it prompting far more media discussion about monetary policy, but it is also triggering innovative thinking about how to

tackle Japan's policy mess. Mr Ueda, for example, has one particularly attractive proposal. With the official discount rate at record lows. he recognises that further cuts may be ineffective. But the Bank of Japan could boost growth by injecting more liquidity into the markets. Alternatively, it could introduce a target for inflation or the monetary

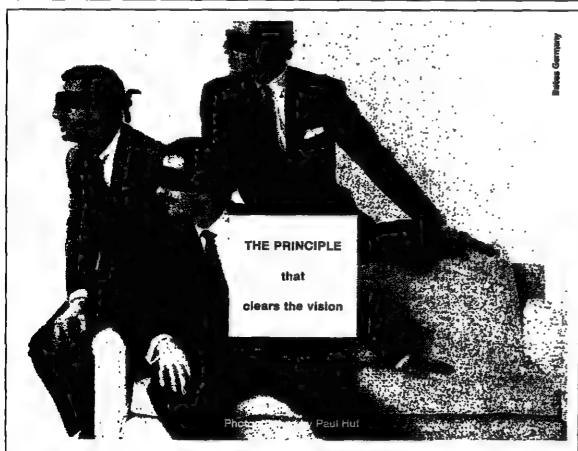
The motive for this. intriguingly, is completely the reverse of the normal western economic logic. Whereas the UK introduced an inflation target to reduce inflation expectations, Japan could use it to raise them, he

This would ease the market deflation fears that have pushed long bond yields down to 1.245 per cent. It would also persuade house-holds, which are hoarding growing piles of cash, to invest their money more productively. "A target of 15 per cent growth in the monetary base or 1.5 per cent inflation rate would generate an increase in the expected rate of inflation. Right now that would be a good thing," Mr Ueda says.

The catch is that this might further weaken the yen, but he is unrepentant. Yen depreciation "is not necessarily a bad thing", he argues, as long as it does not trigger a broader equity market slump.

The proposal is eminently sensible. Sadly, though, the rest of the policy board does not seem quite ready to adopt his radical plan. It is encouraging, however,

that such ideas are at least being aired. Perhaps, over time, the cynics will be correct and the bank's policy board simply revert back pleasant to hope instead that what has started at the Bank might spread to other parts of the government as well. Japan needs more men like



■ The euro is on its way. Now that the

member states of the European Monetary

Union (EMU) have been determined and

the European Central Bank is established in Frankfurt,

Germany's prominence as a global financial center is

destined to further increase. From its Frankfurt headquarters,

DG BANK is ideally positioned to help business gain a clearsighted view of the

complex Euromarket. And with a presence in the world's major economic regions,

It offers local expertise in a global con-

text. Here too, DG BANK operates by

a principle that makes every customer

a partner in a singular way. We call it the WIR PRINZIP. to which DG BANK and its staff are wholeheartedly com-

sic tradition of the cooperative system linking equal business partners. And it

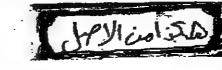
has a great future. Because it exemplifies

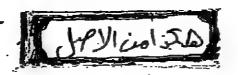
the central idea of partnership: mutual cooperation leads to mutual success.

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THE WIR PRINZIP







# FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Monday May 25 1998

# A stride on the path to peace

Good Friday political settlement marked another momentous step in the right direction, but it obstacles which lie ahead.

The outcome of the vote in the province, with a small majority of unionists endorsing the agreement alongside the overwhelming majority of nationalists, was a tribute to David Trimble, the leader of the Ulster Unionists. Against the opposition of MPs in his own party as well as of lan Paisley's Democratic Unionists and Robert McCartney's UK Unionists, Mr Trimble made and won the case for the politics of tolerance against the deep-rooted prejudices of sectarianism

In the Irish Republic, the overwhelming backing for the groups - and of the need for removal from the constitution of the territorial claim to Ulster demonstrated once again the new maturity which prosperity and a more secular political culture have brought to nationalism. In the first allireland vote since 1918, both jurisdictions have said the future of the North lies with the consent of its people.

For all the optimism this engenders - and momentum has been a critical factor in the peace process - there are those still determined to wreck the accord. The sour response of Mr Paisley and Mr McCartney confirms their purpose in next month's elections

Northern Ireland is a process paralyse the Belfast assembly. In rather than an event. The results a perversion of logic, they have of the twin referendums on the concluded that the principle of majority consent which they have long held dear cannot operate if they happen to disagree. So would be naive to ignore the it is vital that unionist voters carry the spirit of reconciliation they have shown in the referendum through to the assembly elections. That means backing candidates dedicated to making the agreement work. Mr Trimble meanwhile has a mandate to demand that those in his own party who broke with his leadership during the referendum cam-

paign now fall in behind it. There are several other potential flashpoints. The weekend seizure by Irish police of a huge bomb destined for the North was a reminder of the danger still posed by Republican splinter Gerry Adams to offer unequivocal proof of Sinn Féin/IRA's commitment to peace. The traditional summer marching season will demand painful compromises from both unionists and nationalists. The thorny issue of the

arms looms on the horizon. Moderate unionism will need reassurance from both the London and Dublin governments that the new political framework is neither a capitulation to terrorism nor a threat to the union. But durable peace in Northern Ireland is now a prospect rather

Viagra falls

News of six deaths among users of Viagra, the anti-impotence pill that is taking the US by storm, should come as no surprise. When a million people take a drug that was tested on 4,500 men in clinical trials, serious side-effects are almost certain to The risks intrinsic in any new

gra's case by the way middle- is working hard to make sure aged men, keen to improve their that European doctors are better sexual performance, are rushing prepared than their American to evade the normal safety precautions. Viagra is supposed only who demand it. to be available on prescription in the US to men suffering from ments have to work out their pol-"erectile dysfunction". In fact icy on paying for Viagra prescripanyone in the world can get it on tions. The pharmaceutical the grey market through internet industry justifies many popular suppliers and other sources. This new drugs on economic grounds, is not the fault of Pfizer, the arguing that the additional presdrug's manufacturer, which does cribing costs will be offset by not control the leaky pharmaceu- savings elsewhere - because tical distribution system.

4. 0.3356

A PARTY IN

proper medical consultation do not work for Viagra, which will so at their peril. in particular, increase spending on health.

anyone with a history of heart In the US, many health insurdisease should remember that ers are refusing to reimburse Viathe drug's active ingredient was gra prescriptions unless the docdeveloped originally to have an tor certifies that the patient has effect on the heart; its biochemi- erectile dysfunction. National cal impact is not restricted to health services in Europe will increasing blood flow to the

Administration said on Friday: "We continue to believe that the drug is safe and effective for its labelled indication and intended patient population."

There is no reason why the European regulatory authorities should change their informal plans to approve Viagra in time for Pfizer to launch it in Europe

Meanwhile, European governhealthier patients spend less time Men who take Viagra without a in hospital. That argument does

have to take a similar line, though it may be hard to enforce. However, impotent men who At a time when governments are would really benefit from Viagra hard pressed to pay for new treatshould not be put off just because ments for serious illness, they media attention is swinging to its cannot afford a new wave of downside. The US Food and Drug state-funded "life-style" drugs.

# Past tense, future hopeful

t was W.B. Yeats, the Irish poet, who summed up the mood of feer and excite-Ireland's political landscape has changed but the battle for hearts and minds rolls on, says John Murray Brown ment after Ireland's Easter



their places in government while issue of weapons decommissioning seems certain to loom large in the assembly's early days.

have believed Sinn Féin would Yet even to contemplate the never be able to convince its possibility of Mr Adams sitting at members to drop its ban on takthe same cabinet table as Mr ing seats in what republicans Trimble, is to provide a measure

The events will have an even Yet today, after 26 years of stronger resonance for Bertie Ahern, the Irish prime minister. Sinn Féin is travelling much the iticians will have a chance to same route - from espousing violence to participating in constitu-tional politics - as his Fianna Fail party took under Eamon de Valera, the long-serving Irish prime minister, in the 1930s. It was de Valera's 1937 constitution which Irish voters effectively agreed to amend through the referendum result, dropping the republic's territorial claim over

The vote, as the first all-island poll in 80 years, has a huge symbolic significance. Republicans have long justified the armed struggle as part of the fight for self-determination, citing the 1918 election when the island's electorate voted for independence by giving Sim Fein a majority of seats - a result ignored by the British authorities. That justification has now been removed.

The taboos that remain are

Fein cannot be allowed to take finding himself on the same side in the referendum campaign, Mr Trimble still could not bring himself to address Mr Adams directly during a television debate after the count on Saturday, although they did share the same studio for the first time.

> But there was noticeably more acrimony between the Paisleyitas who supported the deal. In 1985, these groups would have stood

> > There was 1916.

there was the 1921 treaty and there was this, the three turning points in our history

shoulder to shoulder with the DUP in opposition to that year's Anglo-Irish Agreement. On Saturday, they were catcalling Mr Paisley as "yesterday's man". That may prove premature, with Ulster's vote weary electorate set to go the polls again on June 25 to elect members of the 108-seat power sharing assembly.

Hardly were the polling stations closed than some of the smaller parties were dispatching officials to take down their cam-With unionists insisting Sinn more at the human level. Despite paign posters ready to recycle

them for the assembly election. The contest for seats in the

assembly promises to be the most bitterly fought election in recent years. Predictions are hard to make based on Friday's poll. with ballot papers not counted on a constituency but on a provincewide basis. It is difficult to provide a community breakdown - a move which government officials underline the cross community nature of the endorsement, and soften the divisions that the poll

might throw up. For all that, the Ulster Union-ists' parliamentary party is split, with six of its 10 MPs openly opposing the settlement. Whether that translates into seats in the assembly will depend on which candidates the 18 local associations select. Given the autonomy of constituency branches, Mr Trimble may not have total control over the process.

In addition, it will not be easy for Mr Trimble to mobilise the sort of communal commitment that drove people, who would not normally vote, to turn out. But equally the fairly convincing nature of the referendum result may persuade some people who

voted No to think again.
There was speculation yester-day that in Mr Trimble's constituency of Upper Bann - where the No vote was strong - he may be challenged by a local Orangepossibility that the UUP leader could be seeking and perhaps giving "transfers" with the SDLP candidate under the proportional representation system.

But the overall expectation is that voting patterns, having crossed sectarian and religious lines in the referendum, will return to type, although the electoral system will allow for tactical voting. Sinn Fein has already called

for electoral pacts with the larger SDLP avoid splitting the nationalist vote in constituencies. Mr Hume yesterday suggested his party would probably seek transfers from all parties.

But some detect in this a sign that Sinn Féin expect its share of the vote may fall. Polls suggest support for Sunn Fein may have peaked, with the SDLP and Mr Hume widely seen as the architects of the peace process.

For a party which has made much of its move to electoral pol-itics from armed struggle, any evidence that Sinn Fein's vote has slipped will be awkward to sell to its grass roots.

he fight within unionism is certain to be much tougher, as Mr Trimble attempts to counter Mr Paisley. The DUP will be seeking to translate the 28 per cent No vote into seats in the assembly. Sydney Elliott, a lecturer at Queen's University in Belfast expects the DUP will be looking to invoke a clause in the agreement that allows amendments to be tabled if they are supported by 30 or more assembly members

But Friday's poll has shown that the politics of majorities and minorities has been shattered, with Protestants and Roman Catholics - many of them for the first time in their lives - voting on the same side.

The psychological effect cannot be underestimated. "It was the first time that I know I am voting with the majority," said Monica Mcwilliams. leader of the Women's Coalition and a Catholic.

The DUP is still clinging to the claim that a majority of unionists have not backed the deal, Indeed. to listen to Mr Paisley's Democratic Unionisis argue over the numbers, you might think the Catholic vote did not count, But the wide overall margin between the Yes and No vote should be enough to see the deal take root in both communities,

More broadly, the poll raises hopes for a wider reconciliation between the communities, which has already started at grass roots level. "Is it back to the days of said was a deliberate attempt to Barry McGuigan?" asked one radio commentator, referring to the Catholic boxer who brought back the world title to the cheers of both communities.

The referendum victory is clearly only the first step. For relatives of the victims of the viclence - the more than 3,000 people killed - the poll was a mixture of pain and relief.

The marching season, which reaches its peak with the protestant Orange Order's Drumcree parade on July 5, could prove a battleground for sectarian divi-

Meanwhile splinter groups may yet seek to undermine the deal. But the news priorities of the local television station summed it all up. After switching from the count station to the various outside broadcasts, it relegated reports of would-be terrorism to the end of the bulletin. If the result consigns the men of violence to a bit part role, it is

# Less majesty

The sins of the father are still the imperial family. He encourvisiting Japan's Emperor Akih-ito. When he arrives in London of himself at ease in a Volkswathe past has travelled with him.

The most obvious reminder will be protests by British prisoners of war demanding a frank further reform with a British apology, as well as cash compensation, for hardships suffered role. during their time in captivity. Another sign of the ghosts to be exorcised will be the stilted performance of Akihito himself, still

emperor's discomfort. He and his and Denmark. retinue are aware that his father's role as a religious symbol served as a rallying point for the address the war, without crossing Japanese military before and dur- the line that forbids involvement ing the second world war. The in politics, but the question of Greater East Asia Co-Propserity compensation is not one for him. Sphere was brutally accumulated Legally, the Japanese governin the name of Emperor Hirohito. ment made amends in signing and Akihito does not want his the San Francisco Treaty in 1951. own name abused.

motives of traditionalists, some of them on the emperor's staff, keen for him to keep a godly distance. After the war, Hirohito those Asians who suffered under renounced his divinity, but the European colonial rule? understanding remains that his son is descended from the divine. Emperor no more, he needs to The traditionalists want to find a public personality that emphasise this sacred state by makes sense in modern Japan. limiting his contact with mere His small steps toward a secular,

Akthito has tried to humanise clearly in the right direction.

today as part of a two-week Euro- gen Beetle, and gives the occapean goodwill tour, he will find sional, if carefully controlled, press conference. His visit to London should provide an opportunity for him to swap notes on monarchy examining its own

Late last century, in seeking to build the the imperial profile, Japanese officials sought inspiration from the British monarchy searching for a public identity and its ceremonies. But the visit to London will be more controbesitting the late 20th century.

There are two causes of the versial than his stops in Portugal

It is appropriate for Emperor Akihito to find a form of words to And if the relatively small num-Less honourable are the ber of British victims are compensated, what of the millions of Chinese and Koreans maltreated earlier this century? And what of

> For history to haunt the approachable monarchy are one of the world's toughest

in place of strife

Michael Leathes and Kirill Ivanov decided that a new way had to be found of sorting out commercial disputes involving investors in

out-of-date quarrel" seemed

totally appropriate. Other politi-

cal figures from the recent past

were also quick to recognise the

significance of the result. "It is

one of the great moments. There

was 1916, there was the 1921

treaty [which partitioned the

island] and there was this, the

three turning points in our his-

tory," said Garrett Fitzgerald, the

The result hardly seems possi-

ble given that just six months

ago, the multi-party talks at Stor-

mont were bogged down over

At that stage, unionists must

procedural wrangles.

'a partitionist" assembly.

direct rule from Westminster,

Sinn Féin and the other local pol-

shape their own destiny together

by sharing in government. The

agreement also envisages cross-

border bodies to foster co-opera-

In answer to unionist concerns

that the measures were a staging post to a united Ireland, the deal

commits all parties - including

Sinn Fein - to the principle that

the constitutional status of the

province can be changed only

Joe Lee, professor of history at

Cork University, says this means

the great constitutional debate

"is in cold storage for probably

another generation or at least

until the demographics change".

if the accord is a compromise

between the constitutional par-

ties, it is also a challenge for

Sinn Féin - and its loyalist coun-

terparts - to renounce violence.

with the people's consent.

former

The corporate lawyer - Leathes has worked for Gillette, Pfizer and GrandMet and is now with BAT minister for foreign economic relations decided, in Leather's words, "there has to be a better way than litigation and pouring money into the pockets of lawyers."

Russian contracts provide for arbitration to settle disputes but the Russian erbitration courts are logjammed with 300 cases, and others are pending at arbitration

The solution, the two decided, was mediation, a concept applied around the world to settle disputes in everything from marriages to property rights. They collected a steering group of like-minded people who will launch in September an organisation called Peaceful Settlement, offering mediation from offices in London,

Washington, Moscow and Kiev. Anatoly Adamishin, former Russian ambassador to London. has agreed to be a trustee, as has Dr David Owen, the former British Foreign Secretary who once did

Ademishin will be a co-cheir and Peaceful Settlement is looking for backing from executives in him reforms. Government officials say the very

**OBSERVER** 

companies who see the need for The steering group also included another former Russian deputy minister, Nikolal Drozdov, and a clutch of lawyers including two who are members of both the London and New York bars -Leathes himself and Lord Hacking, e partner in a US law firm specialising in business litigation and international arbitration.

it's good to see lawyers trying to do themselves out of business.

Late tackle

lexico's financial reform package - which includes a ballout of the country's struggling banks - hee hit trouble. The centreplece of President

Emesto Zedillo's economic programme seemed to be set to sass into law until accest-crazed legislators told the president nothing could be allowed to interfere with the football World Cup in France.

Deputies say they don't want to metract the nation from auch an over-riding passion as football, but the dalay may have less to do with the people's attention span and more to do with how many of their elected representatives are in

Congress went into recass at the end of April. Since then, legislators have been unable to agree on a

date for an extraordinary session to discuss Zadillo's controversial

survival of Mexico's banking inclustry is at stake. But never mind trizit for now. The deputies know that Mexico's soccer team, a laded repository of national pride, will need all the support it can get in its opening matches against South Korea, Belgium and Holland.

Golden chance

Are things really changing in the Czech Republic's seedy capital markets? There was one hopeful sign last month when Jan Müller, one of the stock exchange's leading critics, was chosen to he the bourse's new watchdoo. Now Howard Golden, the

scourge of Czech investment funds, is today set to join the supervisory board of the Restitution Fund, the country's biggest closed-end fund. Golden, a New York-based fund

manager, got his fingers burned a

few years back when he put

money into Czech investment funds only to find that managers felt free to loot the assets. Since then, he has campaigned for better standards - and now becomes the first international fund manager to sit on a Czech fund's poard. Golden will have his work cut out at the Restitution Fund. It is managed by PIAS, one of the most controversial outilits in the market, with which he tangled when it bitthely merged several funds

under its control. But it looks as if even PIAS wants to give the sector a bit of a wash and brush-up - it is nominating Golden to the board.

Sound advice

In this time of financial chaos in indonesia, the central bank has been looking for an adviser - and has invited Helmut Schlesinger, president of the Bundesbank in Germany's post-unification years.

Schlesinger, who retired from the German central bank five years ago aged 69, sounds just the man to stiffen Jakarta's monetary backbone. He was once accused by James Baker, former US reasury secretary, of looking under

every stone for inflation. Indonesia's new president B.J. Habibie, a fluent German speaker, might welcome the central banker's reassuring presence. But don't expect Schlesinger to have arry truck with Habibie's eccentric "zigzag theory" - that you can boost the economy by a series of interest rate cuts and rises. That kind of radical thinking is enough to give the 40-year Bundesbank veteren heartburn.

# Grève issue

Not all French workers are happy with the new law cutting the maximum working week from 39 to 35 hours - the state's own labour inspectors have just done on strike. Apparently making sure everyone else works less means

# Financial Times 50 years ago

Air Freight in

The United States One of the fastest growing industries in the United States the transportation of freight by air. The 16 scheduled dome airlines carried 1,400,000 ton-miles of freight in 1945. about 20,000,000 in 1946, about 40,000,000 in 1947, and expect to carry 80,000,000 in 1948. But the "non-scheduled" all-cargo even faster, and is now estimated to be running 60 per cent larger than that of the regular passenger-carrying airlines. Regular American passenger airlines flying international routes carried almost 15,000,000 ton-miles of freight in 1948 and 34,000,000 ton-miles in 1947. T.W.A. has two DC-4's flying all-cargo to Europe and India. Are You A Comfort Lover? Advertisement: "Traditional American hospitality and friendly Stewardess-Nurse Service are yours to enjoy when you fly American Overseas Airlines to the United States. Urgent business trips are easily fitted to AOA's schedule of fast daily flights from the capitals of Europe to more than 70 business centres in the USA, Canada and Mexico. There's an air cargo compartment is each 4-engine flagship for salesmen's samples, even complete orders.

# FINANCIAL TIMES

**MONDAY MAY 25 1998** 



# THE LEX COLUMN

# Euroland's capital City

decision to stay out of the first wave enable Frankfurt to wrest leadership from London? Or is the City's dominance of European finance so well entrenched that being out on a limb makes no difference? The answers are not crystal clear, but the best guess is that both Frankfurt and London will benefit. The creation of a single European capital market on Anglo-American lines will generate a huge amount of new business: more equities, bonds and M&A activity. Both cities will capture a share of this. But by being on the outside, London will not gain as much as it could. The most likely scenario

is merely that a big opportunity is partly

missed. There is, though, a small risk that

What does monetary union mean for

## Specialists v salesmen

things could turn out worse.

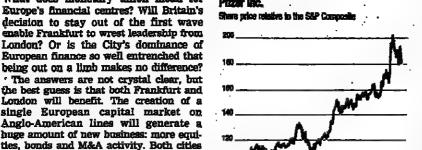
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As well as boosting the total level of financial activity, Emu will shift its location - but not in a single direction. Until now, investment banks needed traders. analysts and M&A specialists in each market. In a borderless capital market, it these "specialist" activities in single

Given the City's position as Europe's biggest financial centre, the tendency will be to congregate in London. But this will not be so in every case. Rach bank will probably focus specialists where it already has critical mass. Devische Bank seems to be homing in on Frankfurt. The Swiss and US banks will probably focus on London. The losers are likely to be second-tier financial centres, such as

Not all activities will consolidate. As the capital markets explode, investment banks will need sales executives all over Euroland. Servicing all European corporates and investors by parachuting people in from London will no longer work. Local relationships will be at a premium. Indeed, the most aggressive US investment banks, such as Goldman Sachs and Merrill Lynch, are already building local

. Putting salesmen in the field is likely to benefit all the Continent's financial centres – this time at the expense of London.



activity is much higher in the UK than in Germany. But the growth in Germany will be faster precisely because it has so

Eventually, Frankfurt could have a hinterland to rival London's. After all, the German economy is nearly twice as big as Britain's, Frankfurt could become a financial hub for eastern Europe too. Moreover, and specialists may not be quite that nest. If a large mass of sales executives congregates in Frankfurt, the demand for the specialists to join them will increase.

## Political symbols

Politics will also favour Frankfurt. Being home to the European Cantral Bank will be an advantage, even if it is mainly symbolic. The same goes for the current battle between Frankfurt's DTB and London's Liffe. If the DTB wins leadership of Europe's derivative markets. traders will not automatically shift to Frankfurt; after all, the DTB's system means that people can trade from anywhere. But such symbols can act as magnets for real activity. If Frankfurt assembles a few more of these - perhaps emerging as the leading exchange for Euroland shares - its pulling power will

nental countries could try to rig the rules of Europe's capital markets to disadvantage London - something Britain finds The biggest gainer will be Frankfuri. At harder to fight as a non-member of Emu.

CONTENTS

attempt to promote Euribor rather than London's Libor as the benchmark for the European Commission's scheme to impose a withholding tax on bond issues could drive the eurobond market offshore

- damaging the City.
Of course, London retains powerful advantages: a long-standing capital market culture, light-touch regulation, a large pool of sophisticated employees, and a tax system that appeals to highly-paid banktop European financial centre. But complacency is out of place. And if Britain stays out of Emu indefinitely, the worries

What goes up must come down. This holds even for Pfizer's remarkable share price, which has been pumped up by the bugely successful launch of its Viagra stence treatment

In fact. Friday's 3 per cent drop in Pfizer's stock - after a gain of 45 per cent this year - was, rightly, a rather modest reaction to news that Viagra may have peen a factor in the death of six people While tragic, these deaths on their own do not look statistically significant. After all, Viagra has already been taken by over 1m people. Pfizer has taken pains to point out that it should not be taken in con-junction with certain heart medicines but perhaps some patients did so. Unfortunately, this is the kind of lifestyle drug that people will try without seeking proper medical advice. That, of course, is also what drives its unprecedented suc-

people will be prepared to run some risk quite tangible benefits. Unless further problems emerge, it seems too early to pere back sales expectations for Viagra of \$2hn-\$4hn, by 2002.

lovestors should also remember that Pfizer has one of the broadest and most promising drug pipelines in the industry. While the hype surrounding Viagra has probably been overdone, the group is preparing to launch an anti-arthritis treat-

# Japan may scale down its financial corruption probes

Government signals end to a year of damaging allegations

The Japanese government appears to be abandoning its high-profile investigations into financial corruption among bankers and bureau-

Katsuhiko Kumazaki, the Tokyo prosecutor who spearheaded the anti-corruption campaign, will be transferred next month to Toyama, a remote rural district, officials have

His move has not yet been officially approved but it would come after Mr Kumazaki's team investigating financial corruption was cut from 70 people to about 30 last

This suggests the government is now trying quietly to wind up the investigations which have badly tarnished the reputations of many prominent institutions and officials in the financial community, including the Bank of Japan and the Ministry of Finance, over the past year. One government official said:

But I think this means the scandals are ending."

The scandals have focused on two main issues: the payment of "hush money" to racketeers by some of the country's largest banks and securities companies, and the provision of lavish entertainment to government bureaucrats by banks and securities

companies in exchange for favours:
A halt to the investigations would come as a relial to all involved. Store the allegations started to appear last spring, they have taken a heavy toll on the financial industry. More than 60 bank and securities company executives and about 10 senior bureaucrats have resigned from three large securities companies temporarily suspended from the

Six suicides have been triggered by the scandals. However, a suspension of the investigations might prompt criticism from opposition politicians that the government was

There is a political battle going on. to clean up Japan's financial system. expressing growing frustration about the government's failure to overhaul its system for regulating financial institutions.

Last month a group of European banks warned that the shortcomings of the existing regulatory system, dominated by the Ministry of Finance, could undermine the Big Bang deregulation programme. The government insists it is

improving the regulatory system. A new financial supervision agency, which will be officially independent of the finance ministry, is to take over responsibility for regulating

ted last week that the agency's launch had been delayed by three weeks. It has named Masaharu Hino, a former prosecutor, to head it, but operational details remain unclear.

# Ministers urge Habibie to bring in reform to secure IMF aid

Indonesia's new president, B.J. Habibie, came under pressure from terday to produce a plan for political reform that would release international Monetary Fund aid for his stricken country.
One of Mr Habible's top economics

ministers, Ginandjar Kartasasmita, said he and his team were willing to serve for no more than "one or two months", since it was imperative that general elections be held as soon as possible.

Five other ministers supported Mr Ginandjar's declaration, which increased pressure on Mr Habibie to abandon his intention of staying in office until 2008, the year former

One opposition leader, Amien Rais, said Mr Habible had promised. on Saturday he would hold a general election within one year. He had also pladged to set up a council of opposition of confidence in Indonesia,

to release two prominent political prisoners today, Mr Rais said.

A senior aide to Mr Habibie, who replaced Mr Suharto lest Thursday, urged a rapid resumption of a \$43bn IMF-sponsored rescue package in order to stabilise the economy and prevent more social unrest.

But finance ministers from the Asia-Pacific region, meeting in Alberta, Canada, at the weekend, indicated political reform was a precondition for a resumption of international lending to Indonesia.

"What struck me was how broadessed the view was that those economic reform programmes will only work in the context of a political situation that's working," said Robert Rubin, the US treesury secretary.

The IMF suspended its programme president Subarto's term had been after more than 500 people were killed in civil unrest this month. It says it needs time to review Indones-

want fast action. They said restore-

tion figures to advise on reform and whose gross domestic product is expected to fall by more than 10 per cent this year, was vital to prevent more upheaval. The IMF had been due to disburse a \$1bn loan on June Asian Development Bank, which has also delayed a loan programme as a result of Indonesia's political crisis, said it hoped to reach a decision this week on whether to go shead with a \$1.50n loan.

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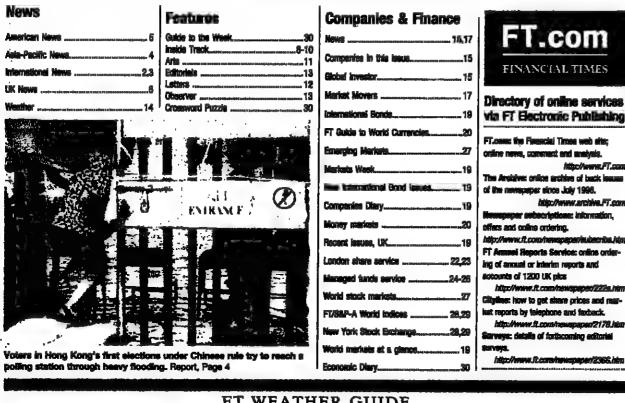
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Ands to ruse its product

Despite continued fears of political unrest, Mr Suharto's departure and the restoration of calm in Jakarta panies and investment banks are among those planning to bring staff back this week, having sent executives and their families abroad when the unrest broke out.

Many ethnic Chinese business people targeted in Indonesia's riots are also starting to return. Flights to



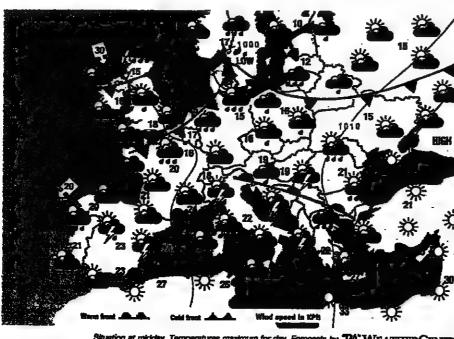
# FT WEATHER GUIDE

# Europe today

unsettled with showers or long periods of rain. Northern parts of via will still be cold ough for a little sleet or sno Central and eastern Europe will also have showers, although tem parts will be mostly fine France will be showery, italy and the Balloans will have heavy rain and thunderstorms, as will central perts of the Roerian peninsula, but be fine and dry.

# Five-day forecast

Low pressure will continue to dominate for the week sheet. Most parts will be unsettled with tain or showers, and it will turn cooler in the north-west. There will be more thunderstorms in the central and western Meditary although the east should stay reasonably fine.



WEATHERCENTRE

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May 1998



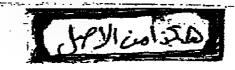
**Santander Investment** 

has acquired the core equity business of

**PEREGRINE** 

The undersigned acted as financial advisor to Santander investment.

CORPORATE ADVISORY



# MPANIES & MARKET

**MONDAY MAY 25 1998** 

INSIDE

# Swedish car groups to set out plans for route ahead

Seab and Volvo, the Swedish vehicle makers, will this week set out their strategies for capturing a larger share of the executive car market. On Thursday, Volvo launches its new large car, the S80. Today, Saab is due to announce an expansion of its three Swedish plants. Both hope their plans will secure their market share and capture new sales. But there the similarities end. Page 17-

German market outimism continues Analysts believe optimism about the German



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and be at tellown order cominue because companies are still benefiting from restructuring and strong export growth. la also improving, although no change in Interest rates is expected. Shares closed stronger in Frankfurt on

riday. The Dex Index of 30 blue chips ended up 15.7 points at 5,530.2: Markets Week, Page 19 Russian bourse faces testing times

The Russian Trading System Index of the most liquld stocks fell 2.1 per cent on Friday, ending a week in which share prices dropped nearly 13 per cent. Those investors who pushed the market to its peak less than nine months ago are now avoiding it like the plague, Emerging Merkets, Page 17 B Al overcomes tourism crisis

El Al. lerael's state-owned airline slated for privatiastion, cut losses from \$80m in 1998 to \$4m last year in spite of fewer incoming touriets, according to 1997 results. The improvement is expected to help government efforts to begin the airline's longawaited privatisation. Page 17

Yen holds key to Nikkel rise investors will be watching to see if the benchmark. Nildel 225 index threatens the 16,000 point mark. Much depends on the performance of the yen, which last week continued to deteriorate against the dollar. Markets Week, Page 19

Ence attempts to raise its profile A merger is being considered between Ence of rien Peninsula's two main pulp makers. But stook merket fluctuations have meant the Portuguese company is worth about 80 per cent more than the Spanish. Ence is now trying to boost the stock by raising its profile. Merket Movers, Page 17

Euro focus moves to Bundesbank The political situation in indonesia and speculation sheed of a Bundesbank council meeting will be: local points of European equity and fixed-income ts. With New York and London markets closed for public holidays, trading on continental

bourses may lack direction. Equities, Page 21 Results will be the focus of the UK market, as p vatised companies,including Anglian Water, BAA; Energis, South West Water, United Utilities and Yorkshire Water, release their finals. Page 19

# FT GUIDE TO THE WEEK

- full listings Page 30

The trial begins in Spain's supreme court today of mer, interior minister José Barrionuevo and 11 others, including eight police officers, over the "dirty war" carried out against Besque terrorist suspects in the mid-1980s. TRANSPORT AGENDA

A two-day European Union transport ministers' conference opens in Copenhagen on Tuesday. The agenda includes railway policy, modern technology, investment and road transport. DANISH REFERENDUM

Denmark holds a referendum on Thursday on evisions to the European Union's Amsterdam treaty which would pave the way for EU niargement eastwards and a common policy on viugeee and asylum.

# COMPANIES IN THIS ISSUE Amdehi 17 leetan

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# Interest in Mirror could attract rival suitors

By Cathy Newman and Jonathan Settyle in London

Other companies are expected to approach Mirror Group, the tabloid newspaper owner, following last Friday's announcement that Axel Springer, the German group, is considering a takeover bid. Although it is not certain that Springer, owner of Bild, a German tabloid newspaper, will come up with a formal

Independent Newspapers. On Friday, Springer - which had first denied market rumours that it was mounting a bid for Mirror - said it was considering several "opporta-nities", including an offer for failed to revive its shares.

Montgomery, thief executive over the weekend. However, offer, observers believe the

share price has been depressed acceptable price to Mirror and Charterhouse Bank, is expectively City doubts about strategy whether his group would get ted to be appointed. An experiand management, Lest year's regulatory clearance, independent of the control of acquisition of Midland Independent Newspapers, the regional newspaper group.

Gns Fischer, the new head of been mooted as a bidder before
Springer, telephoned David and recently bought out Mirror's 46 per cent interest in per and its Sunday sister paper. However, analysts

contacted for comment. Analysis had originally pre-

dicted a 200p a share deal from

Springer, valuing Mirror at about £1.2bn (\$2bn). However, it will hold out for more than

hasten the decision on a new

advised Mr O'Reilly in 1994 on the purchase of an initial stake in the Independent parent company, Newspaper Publishing, to prevent Mirror gaining fail control.

Mr Montgomery is understood to have been in talks tions second largest cable TV operator in the UK, offering

# offers deal in bid for regulatory approval By Mitcki Talt in Chicago

York Cotton Exchange have electronic trading system in an the Chicago futures exchang

The Cantor Financial Futures Exchange - a joint inithe leading interdealer brokers in US government bonds, and NYCE - has been seeking approval to handle computerbased trading of US Treasury securities since February, If this gains a regulatory green light, it could be the first screen-based futures trading system to challenge the big futures markets in the US.

The two big Chicago exchanges - the Chicago Board of Trade (CBOT) and the Chicago Mercantile Exchange trade mainly via the traditional pit-based "open outcry" in daytime hours, although both have developed electronic systems for after-hours trad-

Regulatory concerns over role of "terminal operators" who would be jointly employed by Cantor and the NYCE and would input telephone orders from authorised traders into the exchange's electronic trade matching system.

Cantor has offered to regis ter 250 of these operators as based NYCE. This would bring them under the umbrella of the Commodity Futures Trading Commission, the industry regulator, and make them subject to supervision by NYCE's market surveillance officials. although they would sit in Contor's offices.

A number of exchanges claim the proposed exchange is "fraught with conflict and the potential for customer abuse".

CBOT, which could lose valuable bond futures business Sterling initially fell as weak to the new exchange, has UK economic data suggested argued that since the terminal interest rates were unlikely to operators would be dually employed, they could be executing orders for Cantor while J.P. Morgan forecasts that taking orders from other traders. They could use information from futures trades, for example, to generate business in the cash market.



Crédit Lyonnais plans to sell the end of this year as the first future is one of absolute indestage towards the privatisation pendence. We have to consider agreed in a new rescue plan approved by the European pean banking sector."

Commission last week.

A final decision on

Financial Times, Jean Peyrelevade, chairman of the stateowned bank, said he hoped to sell significant minority stakes cial institutions by December The move would come sheed

of a privatisation of the major: management. ity of Crédit Lyonnais' shares stock market in 1989, in line the European Union competition authorities to reduce the

the concentration in the Euro-A final decision on the way

In an interview with the Crédit Lyonnais is privatised rests with the French government, which directly and indirectly controls 82 per cent of the bank's capital. But the curto a number of friendly finan- rent leftwing administration has shown considerable sympathy to the approach favoured by the bank's top

Mr Peyrelevade said that a by public flotation on the Paris small group of friendly inves move swiftly to respect the tors - likely to include the with commitments given to German insurer Allianz and one or more US pension funds - would be offered new shares state's stake to 10 per cent or in Crédit Lyonnais as part of

determine the number of additional Crédit Lyonnais shares to be given to the French govto cancel a penalising loan and a profit participation clause agreed as part of its original 1995 rescue plan.

These shares - likely to have a total value of FFr20hn-25bn - will dilute the bank's d'investissement, which are quoted on the Paris stock mar-

Mr Peyrelevade confirmed that Crédit Lyonnais would engagement imposed by Brussels to sell operational assets, including its Belgian subsidiary, by the end of this year.



nais had a market capitalisa-

Hong Kong, Singapore and ficult. But he said he was open eastern Europe would be sold. to "free and friendly" discus-He said that if Credit Lyon- sion with potential banking state's stake to 10 per cent or in Crédit Lyonnais as pert of However, he stressed that tion of FFr50bn-60bn, that office is open, and I am less by the end of October next his efforts to raise FFr50bn-10bn "nothing vital" among its would make the prospect of a waiting for flowers and choco-year.

(\$610m-\$1.6bn) in new capital activities in New York, Tokyo, hostile takeover costly and dif-

DM2.87.

# Sterling suffers in move to protect Ecu assets

By Richard Adems in London

Sterling's sharp fall on the foreign exchange market has been exacerbated by investors selling the pound to protect Sterling is part of the basket assets denominated in Euro- of currencies making up the pean currency units, according Scu. Sterling's recent decline,

ward before the start of European economic and monetary

to J.P. Morgan, the investment started by weak UK economic bank.

Avinash Persand, currency and sparked a rush by Ecu.

Strategist at J.P. Morgan in bond holders to hedge their to one after January 1999.

data, has driven the Ecu down Union's decision to convert: 100 basis point [one per cent] and sparked a rush by Ecu.

Ecus for euros at a rate of one fall in the value of the Ecu to one after January 1999.

Versus the D-Mark."

cit for 1996 - is being sold for ment after January 4 1999, when the euro begins trading. States. That way they will be compensterling. Ecu-denominated bonds

projected current account defi-the Ecu, in contracts for settle-cent of the Ecu, the basket of then it has fallen 24 pfennigs, currencies of EU member or nearly 8 per cent, to below

"It's a unique situation." sated for any further fall in said Mr Persaud. The sterling exposure cannot be ignored When sterling fell from DM3.10 have attracted investors to DM2.90 in just 26 days earbecause of the European lier this year, this equated to a

At the end of March sterling

sterling will fall to DM2.70 against the D-Mark by the end of this year - but will bounce back above DM2.80 when the forward contracts expire and holders unwind their positions

London, estimates that positions by selling sterling. But although the UK will between \$12bn and \$20bn of . Ecu investors are borrowing not join the single currency, rose to its highest level against sterling - more than the UK's sterling and selling it against sterling still makes up 13 per the D-Mark since 1989. Since

# PETER MARTIN Sharing high expectations

actually led to the purchase

earning \$2.50 per share. The

same shares at \$200, at \$1,000,

or at any conceivable price."

fundamental stock analysis,

thinking that produced the

1920s. He went on to single out

"Investment trusts actually

boasted that their portfolios

consisted exclusively of the

active and standards (ie, the

man in the street, having been

targed to entrust his funds to

the superior skill of

investment experts - for substantial compensation -

that the trusts would be

in indexed funds are not

compensation" for their

herd-mentality portfolios.

People who worry about

tend to focus on the frothy

present levels of share prices

"concept" stocks that emerge

from nowhere, generate huge

market value on the back of non-existent earnings, then

disappear as quickly as they

have come. But such stocks

are not, in fact, the most

paying "substantial

no further."

was soon reassuringly told

careful to buy nothing except

what the man in the street was

At least these days investors

buying Irrationality could go

most popular and highest price) common stocks. The

the creator of modern

writing on the "new era"

particular criticism:

This measured judgment

comes from Benjamin Graham

identical reasoning would support the purchase of these

for investment at \$100 per

share of common stocks

has shown the best three-year total return is Dell Computer, which pays no dividends but has generated returns of 2,619 per cent to its shareholders over that period.

Dell is a wonderful company, which has transformed the industry in which it competes Its direct-selling, build-to-order business model, with an ... emphasis on corporate sales, tects it from the bloodbath et the bottom end of the personal computer market.

Investors have increasingly appreciated its strengths. Between December 1997 and April 1998 Dell's share price nearly tripled, to reach a high of \$98.50. Since then, along with other tech stocks, it has dropped back, closing on Friday at \$85.63. At that price it is still selling at nearly four times revenues, 60 times corrent earning

Can such a price possibly be justified? To raise the question is not to criticise Dell, which certainly deserves to be rated higher than its rivals. But the Dell case highlights the extraordinary expectations about the future built into present levels of share prices.

Consider a comment from an experienced market observer, writing in 1934: "Instead of judging the market price by established standards of value. the new era based its standards of value upon the market price. Hence all upper innite disappeared; not only upon the price at which a stock could sell, but essentium; the price it deserved to sell.

This innestic reasoning.

disconcerting feature of the bull market: since they are impossible to value properly, an absurdly high price is only slightly more irrational than a low one. In any case, if they are really worthless, they are quickly found out. The setback in tech stocks over the past 10 days bears witness to this. What is more worrying, as

the Benjamin Graham quotations make clear, is the high value placed on sound real history and a testable business concept. With Coca-Cola selling at 47 times current earnings, Disney on a esting of 36, and a clutch of other blue chips selling at multiples in the high 20s. investors are valuing a dollar of earnings in the distant future almost as highly as they value a dollar today.

At the same time, those same individual American investors are continuing to run up credit-card debt at interest rates which imply a high preference for consum today over consuming in the future. As long as there are stocks around that show a three year return of more than 2,500 per cent, investors have no need to decide between these rates of time preference. But at some point they may be forced to make a choice - and the long-term outlook implicit in the current level of stock prices may be the loser. I am grateful to ... William Fleckenstein at mww.stocksits.com for pointing out the Beni Graham quotations.

French Government Securities http://www.patfinances.gouv.ft

# **BoNY** still keen on further acquisitions

By Jame Martinson, Investment Correspondent

Bank of New York is keen to is keen to make further acquisitions in spite of the withdrawal last week of its \$24bn bid for Pittsburgh-

Tom Perna, head of the group's investment company services, said that BoNY was still keen to expand through acquisition after pulling out of the largest unsolicited bid for a bank in US history.

The group is intent on expansion in Europe and UK in the coming months. It also continues to have designs on State Street, its Boston-based rival.

"We will certainly turn our attention back to [expanding] product lines through acquisition and we believe the State Street acquisition would be a good

executive

Three mainland-backed

Hong Kong companies have

confirmed that Fang Dach-

was under investigation for

alleged economic crimes in

China. He has now resigned

Reports of Mr Fang's

arrest circulated through the

market last week, prompting a sharp fall in the shares of

Onfern Holdings, the Hong

Kong-listed division of the

recently disbanded China

National Nonferrous Metals

The moves followed a

series of trading scams that

contributed to CNNC losses

last year of more than

Onfern said it had received

confirmation that Mr Fang

had been under investiga

tion for his "alleged eco-

nomic crimes" committed

managing director for the

Similar statements, includ-

ing news of his resignation,

were issued by other parts of the former CNNC group,

Jianxi Copper and Silver Grant International Indus-

tries, which also announced

the resignation of another

executive director. Sheng

None of the companies has

Mr Fung's resignation

comes at a time of a broader

crackdown on corruption at

mainland-controlled busi-

ness groups.
It follows the arrest last

month of Jin Degin, a former

director of Ka Wah Bank,

the Hong Kony financial arm

of China's flagship invest-

suffered financial losses as a

result of the case, the state-

ments added

parent company.

(CNNC).

eng, their senior executive

in HK

resigns

By Louise Lucae

in Hong Kong

increase its stake in State Street last year after opposition both from the target's management and from Massachusetts banking regulators.

It now holds a "significant stake" in the company of less than 5 per cent. BoNY, the oldest bank in the US and previously regarded as one of the most or Mellon. staid, is pursuing a strategy

of growth in fee-generating

pusinesses, such as securi-

ties processing, rather than traditional lending. It has made 33 acquisitions of processing businesses since January 1995, including the purchases of businesses belonging to J.P. Mor-NationsBank,

BankAmerica, and Wells

more than \$3,000bn in assets under custody, is one of the ment were the main drivers world's three largest global of BoNY's bid for Mellon.

Fargo.

and Chase Manhattan.

It has a higher rating among analysts than its New York rival and is understood to be keen to remain inde-

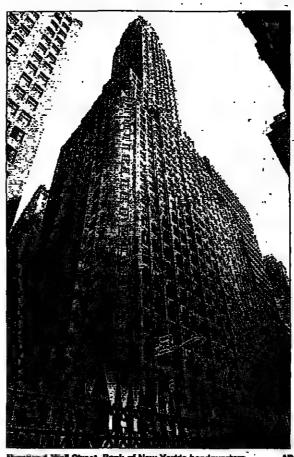
BoNY's desire to buy is set to be met with some scepticism by those disappointed by its inability to close a deal with either State Street Mr Perna said the ratio-

nale for greater consolidation in the industry was compelling: "It's not just to do with economies of scale but the breadth of capabilities." Pressure to adapt computer systems to cope with

gle currency in Europe was also behind the trend, he Custody and fund manage-

the year 2000 problem and

the introduction of the sin-



# Company IBM bank system hits snags

By George Graham, Banking Editor

IBM, the largest supplier of IT services to the banking industry, has run into difficulties over the development of CoreBank, the system it has been marketing as a basic computer platform for retail banks

CoreBank was originally developed by a consortium of Danish savings banks and developed by IBM as an

system to banks in the UK. interest relief at source, and encountered problems in In the UK, Halifax chose

CoreBank 18 months ago as its principal retail banking platform, in the hope that the system, which can handle dates after the year 2000, would solve its millennium bomb problems.

But senior Halifax executives said the system had proved amable to handle feainternational banking tures of the UK banking attempts to implement the system. IBM has sold the market such as mortgage

was a long way from being "Basically, IBM overpromised," a senior Halifax execu-

tive said. The bank - then a building society in the process of preparing itself for flotation was estimated at the time to be paying about £20m for CoreBank, but computer industry experts said it would by now have spent considerably more on

In a statement, Halifax said it still had a close strareviewing the best ways of IBM officials did not

return telephone calls. Svenska Handelsbanken of Sweden, also signed up for CoreBank. Several other UK banks have also spent millions, of pounds trying to implement CoreBank in their own aystems although they have not been publicly

# Euro to shake up chemicals

The launch of the Euro will provoke a new round of acquisitions of UK chemical companies, as the sector moves into long-term Dresdner Kleinwort Benson. In a survey of chief execu-

tives and finance directors points to falling European chemical prices and profits

An increasing number of UK

companies buying busi-

nesses or setting up joint

Union countries are recruit-

investigate their eastern

work International, the

fraud risk management com-

European collaborators.

hard hit because of the across European countries. going to become a lot simultaneous strength of For a quarter of the compa-

The brokers say the slowdown will trigger further greater than 10 per cent. consolidation, as European and US chemical companies decline, according to seek to preserve profit mar-research just published by gins by raising market share and maximising economies

from the UK's 20 leading on the European industry will be the ending of differ- in the UK, where they were ential pricing. Of the UK 12 per cent higher than elsechemicals companies sur- where in Europe. as a result of the Euro veyed by DKB, three-quarlaunch, with UK companies ters revealed wide variations the Euro, competition is closed at DM2.87.

> huge number of western companies and banks have

had their fingers burnt over

Mr Harland said the main

was that information pro-

selling subsidiaries some-

times greatly overstated the

entrepreneurs had lied about

their contacts and influence

ventures in former Soviet problem facing his clients

Edwin Harland, director of value of the assets on offer.

European operations at Net- He added that some Russian

pany owned by the Hambro to lure western companies

banking group, said business into lucrative joint venture

ing private detectives to vided by Russian busines

nies, the price variation from country to country was The move to a single cur-

rency seems certain to reduce these prices to the ity basis within the chemilowest common denominator. Indeed, this process is idy under way, an exam-One of the main pressures ple being DuPont's recent decision to cut nylon prices

Kroll Associates, the fraud named, said: "This is a sensi-management and security tive issue, but there is no

clients are interested in staff of the fraud manage-

PIs hired to check out eastern promises

company, said it was also

number of briefs from UK

companies doing business in

Tommy Heisby, chairman

of Kroll Europe, said: "The

frontier is moving

outwards...more and more

Georgia, Kazakhstan and

Uzbekistan, as well as

However, a Russian diplo-

mat, who asked not to be also employed.

Russia.\*

the former Soviet Union.

taking on an increasing

flercer", said Allister McLeish, finance director of Yule Catto, UK chemicals company.

The brokers calculate that cals industry, an appropriate Euro entry level for the UK would be DM2.60. However. "a similar comparison for the service sector indicates a rate of DM3.23, suggesting a likely entry level for sterling in the region of DM2.85." On However, "from day one of Friday night, the pound

special problem with fraud

dealt with a lot of cases of

Russian companies being

defrauded by foreigners with

part of the transaction pass-

Some investigations are

handled by the UK and US

ment operations, which

include specialised depart-

ments within large accoun-

tancies. Local experts are

ing through the UK."

in Russia... we have also fourth.

are being grown this year in Spain and France, Trials of modified crops in the UK, including oilseed rape and sugar beet, are under way and could go into commer cial cultivation next year.

Unilever acquired PBI from the UK government in a much higher price could cause a political row. PBI, owns extensive land in that area which could be valuable if planning permission was given for housing.

Kroll, for example, has three full-time staff in its

Moscow office and is hiring a

The company also sub-

contracts work to self-em-

ployed investigators, includ-

ing former members of the

one case, a Russian entrepre-

neur had presented a client

interested in joining him in

a joint venture with faked

cuttings, purportedly from

the western business press,

to establish his credentials.

Mr Harland said that in

Russian police force.

# COMMENT

# Northern Ireland

Does the Yes vote for the peace agreement now mean Uister is open for business? The truth is, it was never closed, Industrial output has grown a robust 25 per cent this decade, and some 100,000 extra jobs have been created over the past 10 years. Foreign direct investment has climbed steadily, helped by the attractions of a well-educated, inexpensive workforce. Where peace will undoubtedly pay dividends is in tourism. Some economists believe the industry could double over the next five years. The last ceasefire showed how quickly tourism revives, when the threat of violence fades. Peace has a financial downside too. As the need for additional security and policing falls, so too will the public expenditure that supports it. The hope is that as the Northern Irish economy is weaned off grants, private investment will fill the gaps.

**Unilever's** 

Monsanto

Monsanto, the US life

sciences group and pioneer of genetic modification of

crops, is a leading contender

in the auction to buy Plant

Breeding International, Uni-

Unilever, the Anglo-Dutch

consumer group, put the business up for sale last

month. Although it has a

turnover of only £16m, it is

expected to fetch hundreds

Charlotte Walliker, head of

Monsanto's agriculture busi-

ness in the UK and Ireland, said that Monsanto and

other life sciences groups

were "all interested" in buy-

ing PBL She said Monsanto

continued to need access to

the best plant strains for its

genetic modification work.

Dopont of the US and

Novartis of Switzerland are

PBI's expertise is in wheat

and it produces the market-

leading winter wheat strain

in Europe. Mrs Walliker

said: "Anyone who wants to be in the genetic enhance-

ment business needs access to good germ plasm." Recent deals, including some done

by Monsanto, had put

target companies.

extraordinary" multiples on

This month, Monsanto

paid \$4bn (£2.3bn) to take

control of two companies

DeKalb Genetics and Delta &

Pine. Last year, Monsanto

paid more than \$1hn to buy

Holden's Foundation Seeds

multiple of 22 times sales.

the US are in soyabeans, cot-

ton and maize. Its first com-

mercial crops have been

bred to be tolerant to its

Roundup herbicide, enabling better weed control with less

herbicide usage and there fore higher yields.

Genetically modified crops

have met consumer resis-

tance in Europe, although

commercial crops of maize

Monsanto's strengths in

also likely bidders.

lever's seed business.

of millions of pounds.

seed unit

attracts

By Maggle Urry

What a difference four months makes. In January, the LCR consortium, chosen to build the high-speed Channel tunnel rail link, did the corporate equivalent of handing in the keys. Its project was wildly adrift on revenue forecasts, and it wanted an extra £1.2bn of taxpayer's money. Not all of this was pure subsidy, but the payback on the loan element was so far away as to make even a Eurotunnel banker blanch. Four months later, details of LCR mark two are emerging. It appears the consortium now reckons it can do with less cash, although numbers are still under wraps.

Tough questions need to be asked of the project's resurrection. Has there been a dramatic improvement in the finances of Eurostar, the train service supposed to bankroll the project? Unlikely. Its actual performance was never that bad to start with. It was the victim of unrealistic forecasts.

Perhaps bringing Railtrack into the project explains the improved outlook. Railtrack may well be able to build the project more cheaply than LCR Running the country's rail network should yield economies of scale. But the project's miraculous recovery would inspire more confidence if Rail-track had to bid for a slice of the action in a competitive auction. Unfortunately, this looks unlikely.

What the government should do, however, is make

where the liabilities fall if the project collapses again. Taxpayers are entitled to know how much of the tab they risk ending up with.

NEWS DIGEST

JAPAN

# Slow domestic demand hits machinery groups

Slow domestic demand and the Asian economic crisis hit

earnings at Japan's largest heavy machinery makers in the year ending in March. Mitsubiehi Heavy industries, Japan's argest machinery menufacturer, saw net profits helve to Y60bn (\$442m), on sales down 1.5 per cent at Y3,096bn. Pretax profits before exceptionals fell 36.1 per cent to Y133.5bn, because of high costs for oversees procurement of parts. Consolidated net earnings at Kawasaki Heavy Industries feli 17.7 per cent to Y18.56bn on sales up 5.9 per cent at Y1,297bn. Non-consolidated after-tax earnings fell from Y22bn to Y11.66bn. The company blamed the results on losses at its US subsidiary and poor sales in its shipbuilding

RETAIL

# isetan disappoints

isstan shares plunged 6.6 per cent on Friday after the Japaness department store chain released results that were below expectations. The figures reflected the prolonged consumer slump in Japan, and isetan remained cautious about the out-

look with a virtually flat forecast for the current year. Parent-company sales for the year to March 31 feli 5.2 per cent to Y432bn (\$3.2bn), worse than the 3.4 per cent drop leeten predicted late lest year.

Pre-tex profits were up slightly at Y12.74bn, against Y12.7bn, but net profits collapsed 41 per cent to Y2.53bn. setan had forecast a 30 per cent drop in net earnings to Y3bn, largely because of write-offs relating to its investment in Barney's, the failed US retailer. The dividend was Unchanged at Y10. Bethan Hutton, Tokyo

TELECOMMUNICATIONS

# TIM rises 24% in quarter

Telecom Italia Mobile (TIM), the mobile phone operator, recorded a 24 per cent increase in first-quarter earnings to L2.486bn (\$1.43bn). Net profits were L505bn, against L311bn. Highlighting the growth of mobile telephony in Italy, TIM said its client base had risen by 55 per cent in the first quarter, giving it 10.1m clients out of the 13.3m in the Italian market. TiM's results come weeks before the Italian government is due to announce the winner of Italy's third mobile licence.

**PROPERTY** 

# Reichmann group acquisition

International Properties, Paul Reichmann's development group, has acquired a portfolio of 24 retall and office buildings for \$350m from Intell Investment and Management, a private US property investment and development company. The acquisition is the Reichmann family's largest US purchasince its Olympia & York Developments collapsed under billions of dollars of debt in the early 1990s. The portfolio is comprised of 18 office buildings and six retail centres in the US mid-west and north-east.

intell, which acquired the properties during the market downtum of the early 1990s, said it sold the portfolio to real-ise a substantial return given the current health of the investment market. Scott Morrison, Toronto

**BANK HAPOALIM** 

# **GMTN** programme expanded

Bank Hapoalim, Israel's biggest banking group, yesterday said it expanded the framework of a global medium-term note programme launched last October from \$600m to \$1.5bn. The expansion agreement, signed in London last Friday, is

the latest in a flurry of Israeli banking activity aimed at penetrating international capital markets. The GMTN was the first by an Israell bank, and is being carried out through its Dutch Antilies-registered subsidiary. Mentill Lynch, the investment bank, is lead arranger for the

programme, which has been rated A3 by Moody's and A- by Standard and Poor's, the US ratings agencies. Avi Machlis, Jerusalem

CORRECTION

# Taisho

Taisho, the Japanese drugs group, posted net profits last financial year of Y33bn (\$243m). The figure was mis-stated in Friday's edition

# **DERIVATIVES DISPUTE GROWS OVER COMPUTER-BASED TRADING PROPOSAL**

was growing because "a agreements.

## Outcry over Cantor/NYCE Treasury plan Already, some CBOT members have admitted that if on the role of these terminal CBOT's objections focused the terminal operators, they 10-year benchmark bond yields

tem for US government bond futures leaked out last year, up to its promises, they many saw it as a challenge for the big established US their business there. futures markets, which still operate on the "open outcry" other across a pit.

The new trading platform, by contrast, would be a joint venture between the New York Cotton Exchange, one of the smaller Manhattanbased exchanges, and Cantor Fitzgerald, a leading broker for US government bonds. It would offer computer-

sury bonds. 10-year notes. five-year notes, and two-year ability." notes futures - cutting directly into the Chicago Board of Trade's huge US bond futures business.

The hours promised by the new exchange - 7.30am to 5.30pm - would be longer than the conventional pit trading hours. And, although fees have been not disclosed, the new exchange would almost certainly attempt to reduce trading costs below those at CBOT. the world's biggest futures

computer-based trading sys- be called the Cantor Fitzgerald Futures Exchange - lives could be obliged to move

But when details of the system - where traders with the Commodity Futures the terminal operators might physically signal to each Trading Commission, the US also be executing business industry regulator, the CBOT cried foul. "It would be difficult to

construct a scenario more fraught with conflict and the potential for customer abuse," it protested. "Simply put, the CFFE structure will allow Cantor to control the exchange and trading in the

aged a system where authorised traders would place on CBOT's side. orders by phoning CFFE "terminal operators", located

on Cantor premises. These operators, employed jointly by Cantor and the NYCE/Cantor with 112 ques- erument securities in July. CFFE, would then enter the orders into the electronic which would be modelled on Cantor's computer-based system for the cash market in Treasury securities.

When plans for a new the new trading system - to operators. The exchange pointed out that there was no requirement for them to be registered with the CFTC. and thus subject to normal surveillance.

Equally, while taking plan were filed this year orders from outside parties. for Cantor. This lack of indepen-

dence . . . increases the potential for abuse, since the terminal operator could use information from futures trades to generate business in the cash market," it said. That CBOT would fight

against the Cantor/NYCE based trading of US Trea- exchange for its own benefit scheme was hardly a surand without proper account- prise. But a handful of other exchanges, including the Essentially, the initial American Stock Exchange Captor/NYCE plan envis- and the Minneapolis Grain Exchange, also weighed in Meanwhile, the CFTC

seemed to have its own reservations. This month, it launch its own electronic sent back a 25-page letter to system for trading cash gov-

are now proposing to regis-ter these individuals - perhaps 250 people - as conventional futures industry "floor brokers" and making them subject to NYCE's regulatory supervision. We've responded to all

the CFTC's questions with further clarification," says Joseph O'Neill NYCE's mes ident. Whether this begins to satisfy the regulators - or generates a fresh blast from CBOT - remains to be seen. Mr O'Neill is still hopeful

of a June approval, although CFTC rules allow the regulators 12 months to consider the issue - and the clock stopped between the sending of the CFTC's letter to NYCE/Cantor and last week's revised filing.

Meanwhile, Cantor/NYCE are not the only ones on the attack. While they are threatening to poach CBOT's territory, the Chicago exchange has said it would

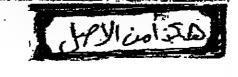
This would be done NYCE/Cantor has wasted through Chicago Board Brotrade-matching system, little time in responding. kerage, a joint venture with Late last week, the two Prebon Yamani, one of Canorganisations sent back a tor's competitors, and reprerevised plan. In effort to deal sents a direct incursion into with the contentious role of Cantor's turf.

Rubbing salt in the tions under the partnership wound, CBB is proposing to agreement at Cantor Fitzgerlicence the required trading ald, which includes various software from Market Data non-compete clauses. The Corporation, a Cantor affiliate spun off from its com- Mrs Cantor's lawyers. puter programming department and now controlled by Iris Cantor, widow of one of Delaware court tomorrow, Cantor Fitzgerald's founders.

Mrs Cantor, claiming that she and Rodney Fisher, Market Data's chief executive, have breached their obliga- cated battle of wills.

charge has been denied by Nevertheless, both sides

will make their way into a with Cantor Fitzgerald seak Cantor is not sitting still: ing a preliminary injunction it is incensed enough to sue to stop MDC making software available to CBB - the latest round in what promises to be a long, and compli-



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Myphone ope

# COMPANIES & FINANCE

# derivatives losses at UBS

By Clay Harris and William Hull in Income

Swiss Bank Corporation knew of the derivatives problems at Union Bank of Switzerland when the banks according to Marcel Ospel, SBC chief executive.

chief executive of the new UBS, continental Europe's largest bank, said: "When our flirt got serious, we knew there was an issue which might lead to action."

UBS's global equities derivatives (GED) management group was responsible for losses of up to SFr650m (\$444m) in 1997, according to senior sources familiar with

down any suggestion that the size of UBS's derivatives losses, or what they revealed about its management or risk controls, contributed to the dominant position executives from SBC - the smaller of the two banks - have taken in the post-merger

UBS's derivatives losses were a "fraction of their awaits final approval by US annual revenue power in authorities before it can offithis area", Mr Ospel said in an interview.

"It's an even smaller frachave been able to produce. UBS was not the only firm that lost money in this area ing really marged." in this period last year. We

El Al, Israel's state-owned

tion, cut losses from \$80m in

be approved by the compa-

achieved on a slight decline

in revenues, according to the

El Al said it offset the

deadlocked peace process

keting efforts to increase the

number of israeli travellers.

The airline's improvement

was also fuelled by the

devaluation of the shekel

against the dollar and falling

fuel prices, as well as vigor-

ny's board today.

carrier said.

month in October and so did others," he added. UBS avoided admitting the

full size of the derivatives es by reporting the trading for which GED was responsible in different ways and in separate parts of a statement made before shareholders met in Febru-Mr Ospel, who will be any to approve the merger In November, shortly

before the SBC merger was announced, Ramy Goldstein, who ran the London-based GED operation for UBS, was dismissed with four traders. Hans-Peter Bauer, global head of fixed income, currency and derivatives, was dismissed just before Christ-

Mr Ospel said: "In this business, where decisions of significant size and impact are taken within minutes, obviously you have to delegate significant authority. This requires a high level of confidence in the professionals responsible. Obviously [UBS] was unhappy with how this thing was handled and took action which led to these redundancies."

The SBC-UBS merger cially take effect. Although the banks were happy with what had been achieved so tion of what other areas of far and were ahead of plan their banking businesses in some areas, Mr Ospe said: "We've been merging for six months without hav-

first-quarter losses from

\$81m to \$17m. The first quar-

tar is a slow season in the

A ministerial privatisation

committee will meet on June

plan to float 49 per cent of

the airline on the Tel Aviv

at SBC also had a difficult See inside Track

El Al overcomes

of fewer incoming tourists, 1 to discuss details of the according to 1997 results to first stage of the sell-off - a

tourism crisis

airline slated for privatisa- airline industry.

# SBC knew of Ence gets focused for pan-lberian pulp merger

The Spanish group is trying to raise its profile ahead of its privatisation and a proposed link with Portucel, writes David White



Market movers

merger being considered between the two main pulp makers of Spain and Portugal could set a significant precedent by creating the Iberian peninsula's first genuinely crossborder industrial multinational. But it is still far from clear on what terms the match can be made.

seem to be a marriage of equals. The two companies, Ence and Portucel Industrial, operate in the same segment of the same industry, in neighbouring countries that will soon have the same currency.

in many respects, it would

They have been subject to the ups and downs of the same business cycle and have equivalent production capacities. They share the idea that combining forces to create one of the biggest European pulp groups They are both quoted companies, majority state-controlled and on their respective governments' pri-

vatisation lists. However, the problem fac-ing Juan Villena, Ence chairman, is that the two countries' stock markets have

come to be worth about 80 per cent more than the Spanish company.

Ence's profile in an effort to boost a stock he reckons is "seriously undervalued". He says his company has failed to make itself understood. Its relatively low share price is seen as complicating plans both for the completion of its privatisation and

In spite of a return to profit last year and prospect of strong growth in its forestry business, Spanish investors have taken a wary view of this notoriously

for the proposed pan-Iberian

link-up.

Ence, originally three state companies set up under the Franco regime in the 1950s and later merged into one, was partially privatised in two stages - 1989 and 1995. After the last offering, when they were priced at Pta3,100, the shares climbed to a peak of Pta3,550, and then tumbled to less than half that level with the collapse of the pulp market, hitting a low of Pta1,510 in February 1996.

According to Ence, there were too many good alternatives for short-term investment on the Spanish market.

unequal favour - with the other countries, where the result that the prospective setback was "limited and Portuguese partner has transitory", its shares failed to bounce back. At the end of last month they were at exactly the Pta3,100 level of He is now trying to raise the last share offering.

This implies a market value of Pta68.8bn (\$451m), compared with Portucel's market capitalisation of Es149.4hn (\$813m). State-sector holding com-

panies for both groups - currently with stakes of just over 51 per cent in Ence and almost 56 per cent in Portucel - have given themselves until September to study the possibility of a merger. Both groups specialise in

capacity of about 600,000 tonnes a year. Together they would form one of half a dozen world pulp companies producing more than 1m tonnes annually, in a league with the main Brazilian, Swedish and US groups. Pedro Ferreras, chairman of Sepi, the Spanish govern-

ment industrial agency, says Ence's privatisation could go ahead this year, but no date has been set. Mr Villena says Ence has become highly competitive

in costs, has remodelled its plants, enjoys among the best margins in the sector, and has concentrated on ensuring a healthy balance



expanding by 7,000 hectares a year

In spite of the industry's tendency for what he calls

"bysteric crises", it always recovers, he says. Ence has had a bumpy few years. In 1995 it produced record net earnings of Pta12.87bn on sales of Pta45.93bn.

years," he says. "But there profits generating a return will also be very high points on net assets of almost 41

> The following year the company was Pta2.93bn in the red, with turnover down to Pta37.81bn. Last year it showed net profits of Pta2.06bn, with turnover recovering by 22 per cent to

somewhat higher than Ence's at Es4.25bn and sales up 19 per cent at Es55.74bn. virtually the same as the Spanish group.

Mr Villena describes Ence as a "very focused" group divided roughly equally between its forestry and pulp divisions, with no plans for moving into paper pro

duction. He says it has the biggest base of eucalyptus forests of any European company. expanding by 7,000 hectares a year. This includes a plantation in Uruguay, where

felling began last year. It claims a top 20 per cent share of the European market for cucalyptus pulp, which is used for printing and writing paper, and third place among worldwide suppliers after Brazilian companies Aracruz and Cenibra, II already co-operates with Portucel, with joint ventures in Europe and managing timher imports

Analysis say a combined Ence-Portucel group would still be vulnerable to volatile prices, but Mr Villena argues that it would be better equipped to ride the low part of the business cycle.

Euce's only option, he says,

# Charges and chip price collapse hit Fujitsu

A collarse in semiconductor prices, losses caused by the Asian currency crisis and acquisition of Amdahl, of the Fujitsu, Japan's biggest com-

Consolidated net profits in plunged 88 per cent from Y46bn to just Y5.5bn (\$41.1m), but the company of the restructuring nor account, "other expenses"

information about the amortisation of goodwill at Amdahl, the US mainframe, costs associated with the software and computer services business in which it US, dented net earnings at increased its stake from 42 per cent to 100 per cent last Last month, brokers ING

the year ending in March Barings estimated that net profits would be set back Y20bn for amortisation of goodwill and Y16bn for ture in semiconductors fell information services division predicted a rebound to restructuring charges from Y192bn to Y175bn, over- rose 12 per cent to Y3,380bn. in Japan, because of slow- tained at Y10.

Fujitsu did not give details In the group's profit and loss jumped from Y18bn to

> Pre-tax profits fell 27 per cent from Y143bn to Y104bn but the tax charge rose 12.5 per cent from Y96bn to Y108bn. Fujitsu only made a net profit because of net income of Y18.9bn from affillated companies in which it holds stakes.

Although capital expendi-

related to the US subsidiary. all spending was virtually The group benefited from down in investment by static at Y435.7bn Turnover increased 11 per

cent from Y4,503bn to the US and Europe, it said. Y4,985bn, although the company did not say how much of this was due to the consolmargins slipped from 4.4 per cent to 4.2 per cent.

Fujitsu forecast sales would increase 13 per cent to Y5,600bn this year.

Sales in the computer and

Fujitsu owns 90 per cent of ICL. of the UK.

robust demand for personal

Turnover in the semiconidation of Amdahl's sales in ductor and electronic compothe second half. Operating nent division rose 16.7 per cent to Y597bn, but the company admitted depressed D-Ram prices had had an extremely negative effect on

cations systems division fell

The company is the country's second-largest producer of telecoms equipment after

However, overall sales rose 19 per cent to Y871bn. as slow growth in the home market was offset by higher traditionally the company's Turnover at the communi- most profitable division.

# Swedish car groups to reveal future routes

By Tim Burt in Stockholes

The fall in losses was Stock Exchange. El Al's privatisation has The Saab dealer handed over been delayed for years by disputes over whether a ban The improvement is expec- on flights on Saturdays, the ted to help government Jewish Sabbath, would be efforts to begin the airline's lifted under private ownerlong-awaited privatisation. ship, Grounding the fleet on "The company looks much Saturdays costs the company more attractive as far as pri- an estimated \$40m-\$80m in vatisation is concerned," the annual profits. The issue will be side-

stepped in the initial phase tourism crisis, caused by the of privatisation, if the 49 per cent float is approved, as the and suicide bombings by Pal- government will maintain estinian extremists, by mar- control of the sirline. The committee will discuse other disputed issues, such as government subsi-

However, government officials say an offering is unlikely to take place before El Al yesterday said it cut next year.

the keys and smiled brilliantly: "I think you will find this car a pleasant surprise." On the highway north of announce an investment of Stockholm, Saab's new flag-ship model, the 95, purred along nicely, effortlessly and proceed with developovertaking Volvos loaded down with children and holiday higgage.

Although Saab and Volvo dislike being seen as direct competitors, the two Swedish vehicle makers will this week set out strategies share of the market for executive cars.

dies of El Al's heavy security On Thursday, Volvo is launching its new large car, the S80, following a four-year development costing an esti-

car, the long-awaited trucks and construction Volvo face common chalt he S80 large car and S40/ replacement for the dated 900 series, has been designed as part of a strategy to focus on just two core platforms. Today, Saab is expected to 850,000 cars a year.

more than SKrlbn to expand its three plants in Sweden ment of a new estate car. based on the 95. Both companies hope their strategies and new products

will secure their market share and capture enough new sales to enable them to break out of the category of designed to capture a larger small-to-medium volume producers. There, however, most similarities end.

Volvo, unlike Saab, is profitable and does not rely wholly on car production. The company, which also has a strong presence in

equipment, made pre-tax profits of SKr13.2bn on sales of SKr184bn last year. It has a cash pile of SKr18bn and boasts output of about

Saab reported losses last year of SKrl.83bn on sales of SKr22.4bn. It sold slightly more than 100,000 cars in 1997 and will not break even until output rises beyond 130,000 units a year.

The company, managed and 50 per cent-owned by General Motors of the US. has accumulated losses of SKr12bn since 1989 - when GM acquired its stake from Investor, the main investment vehicle of the Wallen-

berg business empire. However, given the rapid consolidation in the automoVolvo has established an customer tastes.

alliance with Mitsubishi, of If the S80 is well received Japan. The two companies and Volvo proceeds with jointly produce mid-range plans to sell the \$40/V40 in cars in the Netherlands, but the US. rising demand could Mitsubishi has been help it reach its critical prodescribed as vulnerable fol- duction target of 500,000 by lowing the announcement of 2000. A credible top-of-thethe Chrysler/Daimier-Benz range model would also belo merger and may not be the ideal partner for Volvo to

extend its global reach. Leif Johansson, who took over as chief executive of Volvo last year, says he feels neither threatened nor surprised by the Chrysler-Daimler deal. "We have drawn up a strategy that I am confident is the right route for Volvo." he says.

lenges to their future as V40 medium-size model, and independent manufacturers. offer variants according to

> Volvo narrow the margin gap between itself and rivals such as BMW and Mercedes. At the same time, Mr

> pile to develop divisions such as construction equipits dependence on cars.

confident it will break even greater ambitions for the

Swedish company. Although using GM compopents on its 900 model proved ill-judged, Saab is platforms in co-operation with its US joint owner.

Assuming that GM acquires outright control of Saab from Investor next year - when put and call options between the two companies Johansson hints that the Swedish manufacturer company will use its cash could, ironically, look more secure than Volvo in a rap-

idly consolidating industry. make money," says Mr Hen-Saab cannot fall back on dry. "But our minds are other businesses, but Robert turning to the products after Volvo's car division will Hendry, the Saab chief exec- 2000. That will be a watertive industry, both Saab and rely on just two platforms, utive installed by GM. is shed."

# NTT incurs deficit on handyphone operations

By Michiyo Nakamoto in Tokyo

telecommunications operator, is taking a Y64.6bn egy had failed. (\$476m) extraordinary loss and consolidating its per- had over cellular phones sonal handyphone system with its cellular phone company, highlighting the diffi-culties the service has faced in Japan.

The personal handyphone system (PHS), a lower cost version of the cellular phone service, was launched less than two years ago. NTT and the Ministry of Posts and Telecommunications had high expectations that it would spread to other parts

ment of the losses incurred by its PHS operations, and

NTT, Japan's largest cellular phone company, was an admission that its strat- tal communications.

> The advantages that PHS when it was launched - the fact that it was about half the weight of cellular phones, had a longer battery hife and lower rates - are disappearing," said Norio Wada, executive vice-president. In terms of call rates, cellular phones had become cheaper than PHS in areas within 100km, he said. NTT on Friday unveiled

stronger group profits for the year to March. Although the parent company suffered However, NTT's announce- from rate cuts in the telephone business, group prof-

its decision to merge the vices, such as its integrated business with Docomo, its services digital network, which offers high-speed digi-

> Group sales rose 7 per cent to Y9,450bn, while recurring profits were up 35 per cent to Y600.5bn. Net profits increased 94 per cent to

The PHS companies will be liquidated this year and NTT expects new services to the transfer to Docomo. Data transmission services would be further developed and PHS was likely to be positioned more as a cordless phone, rather than a substitute for cellular phones, the company said.

NTT admitted that the transfer to Docomo would lower Docomo's profitability.

**EMERGING MARKETS** 

# Testing times for investors in Russia

Last year, it seemed the Russian stock market could do no wrong. Convinced that Russia had thrown off its communist shackles and would swiftly become one of the great growth stories of with the bare bones of Rusthe coming millennium, investors piled in.

So great was their confidence that, by the summer of last year, when Russia be developed as a result of had already become one of the best performing markets in the world, investors did not really seem to care where the companies they were buying were located and what exactly they were called, as long as they belonged to a hot sector such as telecommunications or

electricity. As one US fund manager, on a visit to Moscow, put it: "Honey, I don't pronounce 'em, I just buy 'em." Less than nine months since the market reached its Asian economic crisis, many

The Russian Trading System (RTS) index of Russia's most liquid stocks fell 2.1 per cent on Friday, ending a devastating week in which share prices dropped by nearly 13 per cent. Since ket has shed more than 60 per cent of its value.

alphabet like the plague. "The sentiment has really soured, it's really terrible at the moment," says Martin Diggle, a director at Moscowbased brokerage Brunswick Warburg. "We're left now

sia-dedicated investors." However, even among these hardy Russophiles. who have weathered a parliamentary coup, a civil war of a communist takeover of the Kremlin in the 1996 presidential race, the mood is gloomy. "These tend to be people

who've seen pretty extreme events," Mr Diggle says. market has been so bad, for so long, I think there's an element of depression and resignation settling in."

government officials believed that the fall would include falling commodity be temporary. Anatoly Chubais, the vision- fed economy, and stubbornly ary father of Russia's privatisation drive, went so far as to predict that the collapse ment has made things

The same investors who last year were buying any- to Russia. thing with a few hard Rus- That he sian consonants in its name. And while analysts agree ens to intensify Russia's a fundamental misunder- ging stock market.

bigger problem is that it has "That said, because this drawn attention to, and strain on the country's extreme," Mr Diggle says, "If exacerbated, deep-rooted domestic ills.

"Indonesia is the catalyst, but the negative sentiment When the Russian markets now is about Russia-specific first began their slide in the problems." argues Roland autumn, triggered by the Nash, an analyst at MFK-Renaissance, a Moscow-Russian investors and based investment bank. These domestic problems

prices, which have sapped Some of them, including the strength of Russia's oilweek tax collection. The shift in investor senti-

in Asia would bring swift worse, causing such anxiety benefits to Moscow, by lead- that the central bank was ing to a reallocation of forced to raise interest rates emerging market portfolios last week to 50 per cent to defend the rouble.

that Asia has been the trig- structural problems, as high ger for Russia's woes, the interest rates on government bonds put an additional already shaky public you look at the valuations finances

Worse yet, last week Russia's squeezed treasury came under new pressure on the shares will still be a good demand side. Russian work- buy in 2000, and that there is ers. who have endured huge little point in investing in wage arrears for years without mounting any effective political protest, this month of merely striking, Russian miners blocked the country's likely to be another year of railway arteries for more stagnation. than a week, forcing the government to make conces-

However, die-hard Russia That has not happened. That rate rise itself threat- fears about the rouble betray

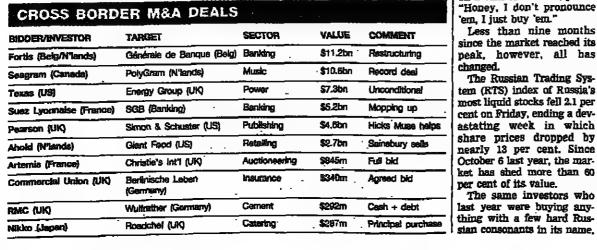
inflation in the early 1990s the Kremlin, they believe, is determined to back the rouble. It has greater leeway to rity of Russia's capitalist Infrastructure and of its democratic institutions mean high interest rates and government austerity cause less popular pain and organised outcry than in more

mature markets. Second, Russia optimists say, share prices have fallen so low that Russia has again become too cheap not to buy. corrections we've seen in the past nine months are

Perhaps, but other Russian analysts think domestic

equities before then. Real, sustained economic growth will require deep. may have finally hit on a slow and initially painful way of making themselves structural reforms. Even if heard in the capital. Instead the government begins to implement them now, 1998 is

And next year, Russia will be thrown into the political tions in 1999 and the presifans say they are undaunted. dential race in 2000. Cam-For one thing, they argue, paign trail populism is unlikely to lift Russia's lag-



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# DIVIDEND & INTEREST PAYMENTS

TODAY Abbey National Sterling Capital 8%% Bds 2004 £87.50 BG 9%% Bds 2017 £4750 Hercules Inc \$0.27 Ireland VTR Bd 1998 IR£1.53

Militari Tontau Cherricale 5.30% Bds 2000 Y530000 Rotork 5.85p Treasury 6¼% 2010 £3.125

IL TOMORROW

Arjo Wiggins Appleton 5.1p Barlows 1.7p BLP 5p British Fittings 3.45p Chelsfield 2p CS Plat Bouton Finance PRIV 2003 \$29.54 Danone FFr27.75 Eadie 0.2p Foreign & Colonial German Inv

U.75p
Holders Technology 4.75p
Kerry Group (R52.94p
M & G High Income Inv Inc 0.96p
Do Inc & Growth Unite 0.98p
Do Package Units 0.96p Ossika Gun 59496 Novan 1998 \$287.50 Residential Prop Secs No5 Class A1 FRN 2000 £863.88

Do Class A2 FFIN 2021 0960.17 Do Class B1 FFIN 2023 5986.35 Do Class B2 FFIN 2023 51036.22 RJB Mining 10p RMC 19.8p Summa Austratia Finance FRN 2024 \$8750 Do Gtd FRN 2006 \$3256.51 Savoy Hotel A 21p Do B 10.5p

Spirax-Sarco 11p Stat-Plus 6.156p United Auctions (So Wallington 5.8p WEDNESDAY MAY 27 Albright & Wilson 1.85p Ashami Goldfields \$0.075 Do Global Deps Secs \$0.075 Athehey Trust 1.1p Aurora Inv 2.4p

Braime T.F & J.H. 7.8p Cakebread Robey 2.4p Do A NV 2.4p Capital inclustries 3.25p Cardiff Automobile Rec Sec No3 Class A FFIN 1996 E192.33 Do Miscosolne FRN 1996 E214.88 Chase Manhattan FRN 2000 \$142.15

De Beers Linked Units \$0.395 Do Regd & Br R1.80 Guinness Peat 0.24p Housing Pinance Corp 11%% Deb Lloyds Bank Series B VRS 1998 Midland Bank Sub PRN 2001

2202.69 Newport 1,25p Oriflame inti 12p Do Br 12p Petrofina BFr460 Prowting 12.7 Servisair 3.55p Slough Ests 10% Bds 2007 £100 State Electricity Commission 10%96 Gtd Nis 2003 A\$105

R2.11 Vero 3.8p THURSDAY MAY 28 Advanced Power Components. 0.4p. erie & Bond 0,25p Bank of Montreal CS0.44 stone 71/4 Bds 1998

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Do 714% Bds 1999 Y725000 Do 714% Bds 2000 Y725000 Do 714% Bds 2001 Y725000 Churchil China 9.4p Circust Creat 9.4p Circust 4.1p Dagenham Motors 6.25p Daimler-Benz DM1.80 Emess 0.6p Independent N Johnson Fry 2p Kobe Steel 5.90% Bds 1999 Y590000

Lionheart 0,3p Mactarlane (Clansman) 2,950 Maiden 4p Repeat Offering Sec Entity Funding No1 FRN 2001 £799.92 Do Class A3 FRN 2001 \$1036.97

21918.97 Do Class A4 (a) FRN 2001 £1517.97 Do Class A4 (b) FRN 2001 21963.36 £1580,47

Do Class A5 (b) FRN 2001 52025 Do Class B FRN 2001 \$1792.97 Royal & Sun Alliance Insca 714% Or Bds 2008 £35.85 CV 905 2006 233.65 Samo FRN 1998 Y27246 Sotheby's A \$0.10 Tokyo-Mitsubishi FRN 2000 ' \$14804.70' Wilson Bowden 9.2p

ARN Amro NV RICLET Aggreko 0.94p Alled Irish Benks FRN \$312.81 Amey 7p Andrews Sykes 10p Atheiney Trust 1.1p Do 934% kmi Pref 4.875a

IN FRIDAY MAY 26

Charles Baynes 2.05p BCH 0.8p

Capital Corp Sp

CIA 2.08p Citadel 0.5p City of London Inv 1.88p CLS 3.45p Corporate Services 3.2p Dawsongroup 4.8p Denmark FRN 1998 \$185.49 Doelles 5.75p Exmoor Dual Inv 1.8p Fitch 0.5p Flerning (F) Netherlands \$331.77 Gartmore Venture Capital 2.25p seared Inc Inv 1.2p Do Income 1.2p Glesgow Income 0.6p Global Group 0.47p Group Trust 1.330 Hall Engineering 6.625p Hays 5.45p

Henderson Electric & General Trust 10%% Deb 2011 25.375 Homeloans No2 Class A2 FRN 2028 2178.53 IBC 6.8p

iceland Group 3.6p Bion 4p independent insce 10.25p INVESCO Cnv Trust 2.2p Irish Permanent Treasury FRN 1999 216.98 ISA Intl 2.28p IS Solutions 0.77p lvory & Sime ISIS Trust 7.202741p Jove Inv 5.7p

Kakuzi KSh1.75 Keller 4.35p Kleinwort Benson FRN \$319.13 Do Primary Cap FRN \$319.13 Linden 4.25p Lithio Supplies 5.5p Lloyds Primary Cap FRIN \$148.51 Marley 3.3p Mayborn 5.4p Meristern 1.8p Metalrax 3.15p Mithras inv Trust 2.1p

Moss Bros 4p MSB Initi 6p NatWest Benk Primary Cap FRN Senior C \$146.93 Nestor Heartneare 2,47p
Northern Flock 7p
Partoo 6.1p
Primesight 0.5p
Richardsons Westgarth 2.9p
Royal 8k of Scotland FRD 2005

\$46,32
Do 11% Cm Pref FRN 2005 3.85p
Ruberold 4.2p
Russell (A) 1.8p
Scottlah Media 15.9p
Seanoge Shipping 5p
Sample Cochrane 1.33p
Severfield-Reeve 6.25p
Standard Chartered 18.25p
Standard Chartered 18.25p Stoddard Selvers Intl 2p Swallowfield 4.7p Ti 10.8p TMC PIMBS Fifth Fin lesue Not

2028 236.09 Do Issue No1 2080 £193.03. Do 7th Fin Issue No 8 2031

Tokyo-Mitsubishi Dual Basis Nis 2004 \$71250 Trust Union Finance 81/1% Deb 2008 \$4.0625 T & S Stores 5.25p Waterford Wedgewood IR21.25p Wells Fargo FRS 1998 \$146.93 Do FRS 2000 \$46.82

E SATURDAY MAY 30 Durnyat Inv 0.49p Gartmore British Inc & Growth Geared Inc 2.375p Do Units 2.375p MBL Intil Finance 3% Gtd Nta 2002 £15 Value & Income 91/4% Deb 2026

SUNDAY MAY 31 Allied Domeco 51/2% Cum Pref Do 71/2% Cum Pref 2.625p Benkers inv Trust 1.41p Do 3%% Curn Pref £1.75 City of Bristol 11½% 2008 £5.78 Cott Telecom 8%% Nits Due 2007 DM64.75 Do 101/4% Nts Due 2007 £101.25 Co-Operative Bank 91/4% Pref Durslop Plantations 6% Cum Pre

26.50 Do 13% Pref 6.5p Guinness Trust 71/2% Mtg Deb Hunting 814% Cmv Pref 4.125p Hydro-Quebec 15% Ln 2011

Peel 514% Cum Pref 2.625p Sterling Publis 8¼% Cum Pref THFC (Indx 2) 514% Ind-Lied 2024 23.0379 Do 5½% Ind-Lied 2024 23.0379 Throgmorton Trust 12#% Deb 2010 98.15825 Do 714% Cav Ln 2008 £3,825

Brook Services, Aziac West. Bristol, 2.30

Fawcett, Yorkshire House, Greek Street, Leeds, 10.00

Hepworth, Institute of Directors, Pell Mail, SW, 12.00

Laporte, Hilton, 1, Portland Place, Regent Street, W, 12.00 BOARD MEETINGS:

Company meetings are annual general meetings unless stated. Reports and accounts are not

stely six weeks after the

normally available until

TERES DIAS!

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Min microchip price BJapanese electrical

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## UK COMPANIES

III TODAY COMPANY MEETINGS:

III TOMONIROW COMPANY MEETINGS: COMPANY MEETINGS:
Berr (AG), Kidsons Impey,
Breckenridge House, 274,
Szuchlehall St, Glasgow, 11.00
Capital Industries, Samuel Jones
& Co Ltd, Butterfly House, St
Neots, Hursingdon, Cambs, 11.00
Guinness Pest, Tallow Chandlers
Hall, 4, Dowgste Hill, EC, 11.90
Immuseum Technologies, 30,
Lombard Street, E, 12.30
Mactariame (Claneman),
Merchants House, 7, West
George Street, Glasgow, 12.00 George Street, Glasgow, 12.00 Quicks, Centre House, Village

BOARD MEETINGS:

3Com More connected.

BAA Belhaven Browery City of London PR

Bds 2001 21.71

Interime: Eldridge Popu McLeod Russel

M WEDNESDAY MAY 27 COMPANY MEETINGS: Climton Curds, Crystal Building, Largaton Road, Loughton, Essex 10.30 Dagenhers Motors, Ford House, New Rd, Dagenhern, Essex, 12.00 Kingfieher, Dorchester, Park

Fast Fills.

Low Rates.

Lane, 11.00
Linton Park, Royal Overseas
League, Park Piace, 12.00
London & Manchestar, Fermers 5. Flatchers Hell, D. Cicche Stre

Bridge, SE, 12.00 12.00 BOARD MEETINGS:

Thom

THURSDAY MAY 16 COMPANY MEETINGS: Alexon, 40-48, Guildford Street, Christies international, 8, 10ng Street, St James, SW, 12.00 Finley (J), Traders Hell of Bissony AS Classific of Gissgow, 85. Gisselord Street, Gissgow, 12.15 Global Group, Butchers Hall, Bartholomew Close, EC, 11.00

Mose Bros, 8, St John's Hill, SW,

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Offiver Ashworth, Last Drop.
Village Hotel, Bromley Cross.
Bolton, 10.00
Rote-Royce, CEII Conference
Centre, SW. 11.00
Sentry Farming, The Hell,
Willisham, Ipswich, Suffolk, 3.05
Telemetric, Citigate Commu, 28,
Finsbury Square, EC, 2.30
Union, 39, Combill, EC, 12.00
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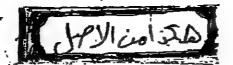


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DENTIES









# MARKETS WEEK

May 25 - May 31

electronic trading in

because companies continue

and strong export growth.

The domestic economy is

to benefit from restructuring

also improving, although no

change in interest rates is

expected when the Bundeshank council meets

conglomerate, will present

Datmler's chareholders

meeting on Wednesday.

Allianz, the insurer, presents

on Thursday.

Frankfurt.



## **NEW YORK**

## By Richard Tomicins

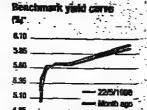
Markets are closed in the US today for the Memorial Day holiday.

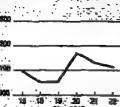
In Friday's run-up to the holiday weekend, US Treasuries were modestly higher but stocks eased a little. Treasuries have looked solidly range-bound for some time, while stock markets have been suffering from continuing weakness in the technology sector, prompted by nervousness about the extent to which the industry would be a casualty of Asia's economic troubles.

The same factors are likely to figure in this week's trading, but other factors that could come into play may include worries that companies could soon start issuing profit warnings in the run-up to publication of their second-quarter results.

Treasuries may be influenced by the week's economic data and the twoand five-year Treasury note

The economic data will include Thursday's





publication by the Commerce Department of its revisions to the figures for first-quarter gross domestic figures on April home sales

and May consumer confidence, due out tomorrow, and figures for April durable goods orders, due out on Wednesday.

# LONDON

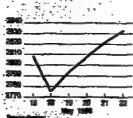
## Results are likely to be the focus of a holiday-shortened week in the UK. A number of privatised companies are ing their finals. including Anglian Water, Water, United Utilities and

Yorkshire Water

UK economic data are fairly sparse. The CBI Industrial Trends survey, released in March, should show whether UK companies have yet seen any benefit from the fall back in sterling official data showed time the nanufacturing sector is officially in recession, having recorded falling output in two successive

On Friday, the trade numbers (global for March, non-European Union for April) are still expected to show a pretty wide deficit, thanks to sterling and the Asian crisis Standard & Poor's MMS says the consensus for the March global deficit is £1.5bn.

# Ž.10 - 22/5/1998 - Month ago\_



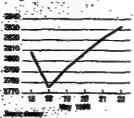
Otherwise, investors' attention will be overseas, particularly on Indonesia, to see how much has changed under the new president. and to Germany, where the Bundesbank council meets. Most analysts expect German rates to rise at some

point this year, as part of the

Euro convergence process.

## FRANKFURT German shares closed stronger on Friday. The Dax index of 30 blue chip shares ended up 15.7 points at 5.530.2 at the close of

### Analysts think optimism bout the German share FTSE Alf-Share index market is set to continue

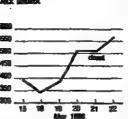


half-yearly results. Metro. Germany's biggest retailer is also due to give trading details, which should provide an indication of the state of consumer demand. The merger between Daimler-Benz and Chrysler will be discussed at

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results on Thursday, as does ProSieben on Friday. In recent weeks, Hoechst has been one of the

strongest performing stocks. Analysts say shares have been supported by growing confidence that the group is pressing ahead with the disposal of non-core

# TUKYO

## Dy Paul Alicania

see whether the benchmark Nikkei 225 index, which rose more than 550 points to 15,801 last week, can challenge 16,000. Much depends on the performance of the yen, which last week continued to deteriorate against the dollar. Further weakness could undermine interest from international

investors will be watching to

The markets will also be watching the second week of companies' full-year results, and in particular earnings forecasts for the current year. So far, the earnings

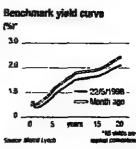
eason has been mixed. Among big companies ennouncing results are the trust banks today, Mazda on tomorrow, Nissan on Wednesday, and NEC, Hitechi and Missubishi

released this week and are likely to portray a grim vision of Japan's recessionary economy. Today, department store and

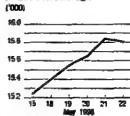
Important economic data

FTSE GOLD MINES INDEX

Electric on Thursday.



## Histori 225 Aventor



supermarket sales for April are announced. They are expected to rise 5 per cent and 3 per cent respectively. However, overall retail sales - due on Thursday - are expected to show a fall of about 4.5 per cent, underlining the continuing fragile nature of consumer

## COMPANIES DIARY

The Market State

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A CHARGANTER PER THE PROPERTY HOME AND THE P

# Fall in microchip prices hits Japanese electricals

Hitachi, the Japanese ark airport in the US. A conmachinery and electronics sensus of forecasts from group, is expected to report pre-tax profits for the year to March 31 of Y146bn-Y150bn (\$1.12bn-\$1.15bn) on Thursday, down from Y263.3bn, following falls in microchip prices and a slowdown in

consumer appliance sales. Low demand from power plants for its power and industrial systems would also hurt the earnings outlook and investors were now looking at Hitachi's 1998-99

earnings, analysts said. In February the company from Y265bn to Y150bn. Some Y65bn of the Y115bn decline was due to microchip lyst at HSBC James Capel Securities, said earnings of all divisions were under and the strong pound.

Hitachi's earnings is expected to be modest compared with those of rivals such as Toshiba and Mitsabishi Mectric, with sales of general-purpose computers providing a definite downside to

earnings, Mr Sato said. Akihiro Tsunoda of Koku-Hitachi's year to March pretax profit at Y150bn, in line with the company forecast. For the year to March 1999, Hitachi's earnings are likely to improve partly because the size of losses in the microchip sector in the current term are expected to

be small, Mr Tsunoda said.

AFX, Tokyo

# TUESDAY

BAA will be pressed on the effect of the apparently final decision to abolish intra-European duty-free sales when it announces final results. It will also be risk provisioning made comasked for a planned opening date for the long-delayed fifth terminal at Heathrow airport. The terminal, vital for the group's expansion at the airport, has been held up by the UK's longest public year. BAA might also announce international expansion plans; it is the front-runner to operate

First Call, the estimates service, suggests an underlying figure of 2477m (\$797m), up from £444m.

# WEDNESDAY

· British Airways reports final results and it is likely to provide some indication of whether it can live with the restrictions the European Commission plans to place on its alliance with American Airlines. Karel Van revised its profit forecast Miert, the EU competition commissioner, expects to of Y4,960bn. announce his proposed conditions for the alliance in would reflect the deterioragests a figure of 2506.3m. slu the effect of last year's strike puter sales.

However, the drop in • Fortis, the Balgo-Dutch which last week agreed a merger with Générale de Banque of Belgium, is expected to report net profits up at Ecu233m-Ecu246m (\$254m-\$268m), against Ecu204m a

> Fortis Amev's net profit is Fi 1.43-Fi 1.49 a share, com- units. pared with Fl 224m, or:

Daan Worm of ING Barings is expecting net profit of Ecu246m for Fortis and Ecu273m, or F1 L49 a share for Portis Arnev, with ABN Amro analysts looking for the lower figures of Ecu. 233m for Fortis and Fi26im, or Fi 1.43 for Fortis Amev.

ABN Amro analysts said the increase in Fortis' stake in ASLK-CBER at the end of 1997 would have a positiv effect on earnings of about 6 per cent. They said in a note that the volatility of Fortis' parison of quarterly numbers hard, but they expected continued pressure on Bel-

gian interest margins. General insurance results in Belgium and the Netherlands would be depressed by inquiry, now in its fourth a cyclical downturn, but this should be partly offset by Mr Worm said the main feature of the first quarter retailing activities at New- would be that third-party

interests would decline, resulting in a strong earnings gain. Otherwise, the main focus would remain on Fortis' merger with Générale, but that would only come into play from the second quarter.

APX, Amsterdam

## THURSDAY

 NEC Corp, the Japanese chip maker, is expected to announce pre-tax profits of Y100bn for the year to March, with revenues of Y5,050bn, broadly in line with the company's recently revised forecast, analysts said. For the year to March 1997, NEC made pre-tax profits of Y121.2bn on revenues Analysts said the result

price falls and Y20bn to mid-June. A consensus of tion of the memory microweak appliance sales, ana- figures from First Call sug- chip market and continued down from 1640m because of which affected personal com-They said that NEC was particularly affected by the

decline in prices of 16-megafinancial services group bit dynamic random access memory (D-Ram) chips, which squeezed margins of its microchip division. Weak domestic demand had also hit NEC's PC sales. A survey by International

Data Corp Japan showed 1997 domestic PC shipments sai Securities expects seen rising to Fl 261m- falling by more than 2 per Fl 278m (\$127m-\$133.10m), or cent year-on-year to 7.98m The Asian currency crisis

had a mixed impact, helping to boost exports from its plants in the region to the US, Europe and Japan but also causing foreign exchange losses.

For the year to March 1999, NRC's earnings are expected to show a modest improvement, with pre-tax profits forecast at Y90bn-Y130bn on revenues of

AFX Tolaso

• Mitsubishi Blectric is expected to report pre-tax losses of Y50bn-Y53bn for the year to March 31, revised from an original forecast of Y40hn because of sharp falls in microchip prices. There were pre-tax profits of Y67.9bn last time on revenue of Y3,720bn.

Among electricals, Mitsubishi Electric was the worst hit by microchip price falls," Naoki Sato at HSBC James Capel said.

price falls on earnings was larger than the company had estimated, he said. He forecast Mitsubishi Electric's pre-tax loss for the year to March 31 at Y53bn on revenues of Y8.750hn. This is because it shifted its focus from 16-megabit D-Ram chips to 64-megabit chips to boost its share of that market, Mr Sato said. "But in fact, Mitsubishi failed to

• ING Group, the Dutch banking group, is expected to report first-quarter net profit of FI 1.48bn-FI 1.79bn (\$720m-\$870m), up from Fi 801m a year earlier, according to analysts' forecasts. Earnings per share are expected to rise to Fl 1.60-

obtain large-lot users or cli-

AFX, Tokyo

Fl 1.94, against Fl 1.19. Analysis said the sharp year-on-year rise would in part reflect the group's new its practices more in line with international accounting standards, as well as the acquisitions last year of Equitable of Iowa, Furmar

Selv and BBL. Analysts expect the new accounting policies to add Fi 100m-Fi 250m to first-quarter net profit.

Margot van der Velden at ABN Amro is forecasting net profit of FI 1.654bm, or FI 1.80 a share, and expects a positive impact on first-quarter net profit from the new accounting principles of some Fl 250m, most of which will be allocated to life insurance and general insurance

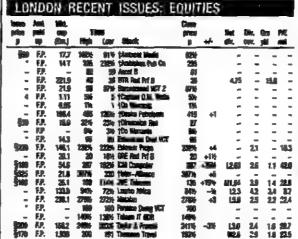
operations. "The main difference is that realised capital gains on the property and equity portfolios will now be included in the profit and loss account, whereas previously they were taken straight to equity in the balance sheet."

Embden, analyst with Fortis' unit MeesPlerson, is looking for net profit of FI 1.79bm or F11.94 a share. He expects the inclusion of realised gains to have a F1 250m positive effect at the pre-tax

Equitable of lows, Furman Seiz and BBL would make respective contributions to after-tax profit of F1 52m, Fi 18m and Fi 83m. He sees banking pre-tax

profits, excluding BBL and

Furman Selz, of F1834m. compared with F1620m. The negative impact of the



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Roger Shackdeton of RSG International Ltd will discuss the complex systems required to handle the broad media information, accreditation, ticketing and match/event analysis requirements for the media and public in major sporting occasions. He will highlight the systems put in place for the Rugby World Cup.

Stephen Wilder of Lords will discuss the technology programmes being used by the England and Wales Cricket Board (ECB) to drive development of the game at professional and recreational levels.

Commencing with breakfast at 08.00 am and running for approximately 2 hours, the seminar will be held at Financial Times, One Southwark Bridge, London SE1 9HL.

Cost: £50.

To reserve your place at this event, please contact: Sarah Jozzard on either: Tel: (44) (0)171 873 4816 Fax: (44) (0)171 873 3595 or email: sarah.jezzard@ft.com

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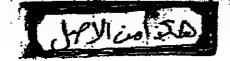
# FINANCIAL TIMES

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## POUND IN NEW YORK    May 22	May 22	BASE LENDING RATES    Company   7.85   Easter Trust Limited   8.25   Singler & Friedlander 7.25   Friended & Gan Bark & Googles   Friedlander 7.25   Bark of Logrum   7.25   B	+0.75 -0.80 -1.14 -1.84 -0.89 -1.52 -0.29 -0.28 -0.40
EXCHANGE CROSS RATES	77 11.06 268.7 222.9 11.46 2.183 0.914 2.185 1.483 202.6 1.2 77 12.57 305.3 253.4 13.05 2.482 1.039 2.461 1.697 203.3 1.2 77 12.57 305.3 253.4 13.05 2.482 1.039 2.461 1.697 203.3 1.2 78 10.61 257.7 213.8 11.01 2.094 0.876 2.077 1.432 194.3 1.2 4 0.428 10.36 6.86 6.444 0.084 0.035 0.064 0.058 7.830 1.2 3.741 90.86 75.40 3.882 0.738 0.309 0.732 0.505 68.52 0.2 3.741 90.86 75.40 3.882 0.738 0.309 0.732 0.505 68.52 0.2 3.741 100 82.98 4.273 0.813 0.340 0.806 0.558 75.41 0.4 8 4.962 120.5 100 8.149 0.979 0.410 0.871 0.570 90.88 0.5 8 4.962 120.5 100 8.149 0.979 0.410 0.971 0.570 90.88 0.5 8 8.535 234.0 194.2 10 1.802 0.798 1.888 1.301 176.5 1.1 8 4.068 123.0 102.1 8.288 1 0.419 0.920 0.884 82.79 0.1 8 1.068 123.0 102.1 8.288 1 0.419 0.920 0.884 82.79 0.1 8 1.210 234.0 234.9 12.98 2.988 1 2.988 1.834 22.79 0.1	Bancings Bank 7.85   Hongloong & Sharinghai 7.25   Investment Banking   Hongloong & Investment Banking   Investment Bank	-1.8 -0.8 -0.8 -1.0 -1.0 -1.0 -1.4
Carrache (CS) 24.99 4.518 4.063 1.212 0.482 1195 1.381 USA 69 36.28 0.598 5.853 1.2767 0.898 1733 1.981 Japan (Y) 28.71 4.036 4.343 1.292 0.515 1277 1.482 Equi — 40.57 7.467 8.586 1.967 0.782 1940 2.217 Cauton Romer, Proteir France, Revenuent Romer, and Breeden Broner per 10; Belgian France, Yen. Escotia, Lin and MI. D-MARIK PUTURISS (MARS) DM 125,000 per DM  Open Lainet Change High Low Est Vol Open In Jun 0.5689 0.5687 -0.0007 0.5702 0.6878 29,519 144,73 Sep 0.5720 0.5727 -0.0006 0.8730 0.5712 703 6,169 DMC -0.6724 -0.0007 - 0.5702 1.5702 1.5702 1.5702  MI SAMRER FRANCE PUTURISS (MARS) SFT 125,000 per SFY	7.406 180.0 149.8 7.688 1.463 0.512 1.450 1 785.7 0.6 9 5.459 152.6 110.0 6.666 1.078 0.451 1.069 0.737 100 0.6 7 6.282 201.4 167.1 8.606 1.637 0.686 1.823 1.119 151.9  Penta per 103.  II. III. III. III. III. III. III. I	Mainton   Main	# Coy
Jun	T.1840 U.S4 T.17 T.73 T.80 2.42 S.16 Previous day's vol., Calls 223 Pats B.681. Pres, day's open \$4., Calls 14,364Pats 12,704  st. 3 SI PREADELPHIA SE D-MARKAS OPTIONS DASC,500 (S per Das) String ————————————————————————————————————	Time Figo 2000 1 107 109 John John 109 119 119 119 119 119 119 119 119 119	3.75 3.75 3.75 3.75
8ep 1.8214 1.8288 -0.0008 1.8294 1.8210 815 1.400 Dec 1.8180 -0.0008 1.8180 1.8180 1 186 POUND SPOT FORWARD AGAINST THE POUND	9.599 1.06 1.54 1.64 0.15 0.36 0.55 0.56 0.55 0.56 0.55 0.56 0.57 0.590 0.51 0.71 0.570 0.44 0.75 1.06 0.590 0.73 0.54 Province day's vol., Calle 1.942 Pade 45 . Prov. day's open let., Calle 13,422 Pade 20,500	Sept 1702/2015-17   Sept 1   25 1   12   12   12   12   12   12	The state of the s
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# Euro focus moves to Bundesbank

# **EUROPEAN OVERVIEW**

ahead of a Bundesbank previously. council meeting will be focal

trading on continental bourses may be light and the same day on the Euro-

95,750 95,795 95,930 95,830

points of European equity meets on Thursday, and fixed-income markets over the coming week.

Household goods was up
Last week closed quietly, over the coming week.

Expect it to raise rates imme with mainland Europe recover the coming week. With both New York and diately, there may be some

ing the week, with analysts. co-operation on immigration bers of European monetary expecting the annual rate of policies and prepare the way inflation to drop to around for EU expansion into East-The political situation in inflation to drop to around for EU expansion into East- Strongly performing sec-indonesia and speculation 1.2 per cent from 1.4 per cent em Europe. As many as 30 tors included support serto 35 per cent are opposed The Bundesbank council and the remainder are unde-

With both New York and diately, there may be some ering from Thursday's London markets closed market nervousness ahead Ascension day public holitoday for public holidays, of the event. A referendum in Denmark for its long holiday weekend. The FTSE Eurotop 300

figures for May are due dur- which is designed to boost domicaled in founder memvices, up 3 per cent, and dis-

> Ecu 2.5 to Ecu 165.07. Food producers rose 1.75 per cent, with Nestle up

lacking firm direction, pean Union's Amsterdam index ended on Friday night Danone up Ecu 2.2 at though traders will be treaty could also unsettle at 1.231.78, up 5.08 points on Ecu 241.28, while Sodexho watching closely for further the markets. the day, while the Eurotop fall out from the change of Opinion polls indicate that 100 finished at 2.831.73, up Sectors which fall out from the change of Opinion polls indicate that 100 finished at 2.831.73, up Sectors which fall out from the change of Opinion polls indicate that 100 finished at 2.831.73, up Sectors which fall out from the change of Opinion polls indicate that 100 finished at 2.831.73, up Sectors which fall out from the change of Opinion polls indicate that 100 finished at 2.831.73, up Sectors which fall out from the change of Opinion polls indicate that 100 finished at 2.831.73, up Sectors which fall out from the change of Opinion polls indicate that 100 finished at 2.831.73, up Sectors which fall out from the change of Opinion polls indicate that 100 finished at 2.831.73, up Sectors which fall out from the change of Opinion polls indicate that 100 finished at 2.831.73, up Sectors which fall out from the change of Opinion polls indicate that 100 finished at 2.831.73, up Sectors which fall out from the change of Opinion polls indicate that 100 finished at 2.831.73, up Sectors which fall out from the change of Opinion polls indicate that 100 finished at 2.831.73, up Sectors which fall out from the change of Opinion polls indicate that 100 finished at 2.831.73, up Sectors which fall out from the change of Opinion polls indicate that 100 finished at 2.831.73, up Sectors which fall out from the change of Opinion polls indicate that 100 finished at 2.831.73, up Sectors which fall out from the change of Opinion polls indicate that 100 finished at 2.831.73, up Sectors which fall out from the change of Opinion polls indicate that 100 finished at 2.831.73, up Sectors which fall out from the change of Opinion polls indicate that 100 finished at 2.831.73, up Sector nearly 50 per cent of the 10.07. The Ebloc 100 index, paper and leisure and hotels. FISE Actuaries Shore Indices

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May 22						
Marcons	Een Index	Day's	etsage points	Yeld Gross %		Total n (Scot)
F7SE Euroteo 300	1231.78	+0.41	+5.03	1,93	1254	1254.3
FISE Enrolog 100	2821.73	+0.36	+10.07	2.00	TLI	1000.7
FISE Ebloc 100	1034.19	+0.22	+2.27	1/2	5,85	1039.7
F7SE Euroten Stir Rente						
Eurobioc	1250.18	+0.25	+3.17	1.37	9.15	1304.8
IK	1132.10	+0.50	12.15	2,80	16.68	1169.3
Enrope Ex-Extended Exercise Ex-LIK	1184.81 1289.21	+0.55	+6.77	2.30	14.73	12(22
FISE Eurotop Industry &		Tease	Traces	150		
RESOURCES	1023.28	-0.95	-8.77	2.89	13.06	1051.2
Stranber Interior	910.68	-0.5	-9.06	Elif	3.00	910.8
Continue according	910.50	-0.87	-8.66	2.88	6.09	970.8
OM, Expinence & Presi	1048,48	-0.51	-6.41	2,29	0.00	1046.4
CENTRAL PRODUCTIVES	1227,18	+0.37	+4.57	1.75	11.09	1242.1
Construction	1058.05	+1.59	+16.81	2.95	6.00	1058.0
Marie I de la Compa	1069,28	+0.58	+5.68	2.47	0.00	1069.2
Chemicals ·	1024.52	-0.21	-2.14	217	12.95	1037.
Obversified legipaintely Siscensic & Stati Essis	1027.54 1084.92	-0.11 +1.14	-1.18 +12.05	1.85	4.24 0.00	1031.8
Enginearing	1043.89	+0.87	+6.36	2.20	1.00	1044.9
Pager, Page 2 Tracking	1022.08	-0.71	-7,34	2.30	0.00	1022.0
CONSTRUCT BOOKS	1154,92	+1.04	+11.94	1.80	1.86	1177.4
Automobiles	1074.19	-0.03	-0.36	0.00	1.98	1076.7
Alcoholic Bourages	296.53	+1.19	+11,89	2.30	1.86	998.4
Food Producers	1029.00	+1.76	+17.70	1.57	122	1031.3
Associated Figures A Tests Handberro	1057.69 258.20	+2.41 -0.40	+24.25 -3.88	1.16 2.37	0.72	1058.4
Premacentosis	862,86	+0.49	+4.78	15	1.03	983.7
Tobacco	971_36	+0.03	+8,93	4.33	0.00	971.3
ENVICES.	1175.88	+0.28	+4,17	1.90	9.87	1195.0
Distribution	1027.81	+2.80	+25.11	0.00	2.70	1030,3
Since & Hotels	900.40	-0.62	-0.17	242	0.00	990.4
Medie Relations, Food	1037 ES 991,28	+0.72	+7.57 +2.69	2.20 2.03	1.29	10m./
Petallecs, Geografi	1026.32	+0.10	+0.38	217	0.00	102R.3
Talecommunications	1008.67	-0.02	-0.25	1.67	2,81	1009.0
Pulse & Realty	956.52	-0.26	-3.62	2.78	4,81	961.4
Styport Sarviget	1036.52 1038.66	+3.00 +0.84	+30,20 +6,63	1.20 2.48	4,50 6.56	1001,3
fisinsport Internation Technology	1041,78	+0.86	+8.83	240	2.23	1039.3 1044.1
manus.	1300.82	+0.91	+11,29	132	21.71	1340.6
Bestidy	688.31	+0.94	+9.17	147	0.06	989.31
hat Claribation	1012.20	+0.50	+8.81	1.80	63.72	11043
Maker -	986.33	+0.80	+6.49	6.17	0.00	996.33
MANOULE	1985,14	+0.43	+6.71	1.85	18.08	1390.7
Banks, Rutati	894,70	+0.40	+3.05	9.06	E.B1	1000.3
DESTRUCTION .	200,02	+0.15	+1.50	1.23	3.23	923.2
Life Interestada	1017.12	+1.98	+19.29	1:26	3.19	1020.8

CURREN	icies &	MONEY												
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		owid point	se day	Or clay a	DE TROCK	week %	1.20	_						
Except					-									
Austria Belolutt	ats Bef	14.065857 41.232002	+0.0011	+0.01	-0.0000 -0.0318	+0.00	1.18							
Cascle Republic	22K	38.304636	-0.1872	+0.51 -0.51	-0.2104	~0.08	1.16							
Dennark	DIKOK	7.618764	+0.0000	+0.01	+0.0041	+0.05	1.14	<b>ባ</b> ላ		- 1	١.			
Ficiend	FELL	8.076175 6.703357	+0.0032	+0.05	+0.0017	+0.03	_	-		<b>34</b> 1	1.			^ /
Franco Germany	PRF DEM	1.998927	+0.0001	+0.01	-0.0012	+0.00	1.12		N	ry_	-\-			424
Greece	GPD	343.118506	-1,4312	-0.42	-2.7000	-0.80	1.10			_		∟ <b>∧</b> L,		
Hangary	HUF	238.491589 0.794384	+0.0289	+0.01	+1,2594	+0.80			ďΥ			ww	<b>"</b>	
tretaint limby	ALT.	1971,230942	+0,0002 -0,8983	+0.03	+0.4074	+0.02	T.98		7					
Loneusboorg	LUF	41.232002	+0,0050	+0.01	-0.0316	-0.08	1.06		r					
Metherlands	MLG	2.252689	+0.0002	+0.01	+0.0002	+0.01	1.04					L		
Morway Polesc	PLN PLN	8.427025 3.857846	-0.0350 -0.0354	-0.47 -0.91	+0.0453	+0.55	May		1997	7			98	Mare
Portuged	MIE	204,681347	-0.1003	-0.05	-0.1197	-6.06	Route FTS b							
Portecia.	ROL.	9665.350066	-10.2009	-0.11	+119.0243	+1.25	William LIZ B	100						
Parsin Slovekia	PLUB * Jenou	6.999203	+0.0008	+0.01	+0.0990	+1.44	FUROYO	APP AU	BBBBB	W 00	un/en	AP110	_	
Spain	ESP	169.847414	+0.0433	+0.03	+0.0700	+0.04	EUROZO	ME CO	KKEN	YU	WAFK	PENC		
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Menden	MOON	9.832553	+0.0364	+0.37	+0.2727	+2.85	Pinkend	3.04007	3.0397	-0.01	-0.03	3.0415		+0.10
Dotad States	USD	1.137435	+0.2001	+0.01	+0.0131	+1.18	treland	0.402676	0.3974	-1.31	-1.51	0.4022		+2 00
Pacific/filiadie for Authrale	ALID OLIA	1.799080	-0.8051	-0.25	+0.0020	+0.45	italy Licentobourg	990.002 20.6255	20 6271	-0.39 +0.01	-0.40 +0.04	991 5989 20.6313		+0.91
HOPE Kons	HICD	6.812274	-0.0006	-0.01	+0.1019	+1.17	Metherlands	1.12674	1 1269	+0 01	+0.03	1.1269		+0.00
Japan	JPY	154.355555	+0.3087	+0.20	+3.6247	+240	Portugal	102.505	102,3956	-011	-0.05	102.670		+0.46
Singapore South Airica	SED	1.860274 5.788404	+0.0008	+0.04	-0.0026 +0.0711	-0.14 +1.24	Spain Germany	85.0722 1	84.9693	-0.12 +0.00	-0,25 +0.00	85.2104	1 129 175	+0,47 +0,00
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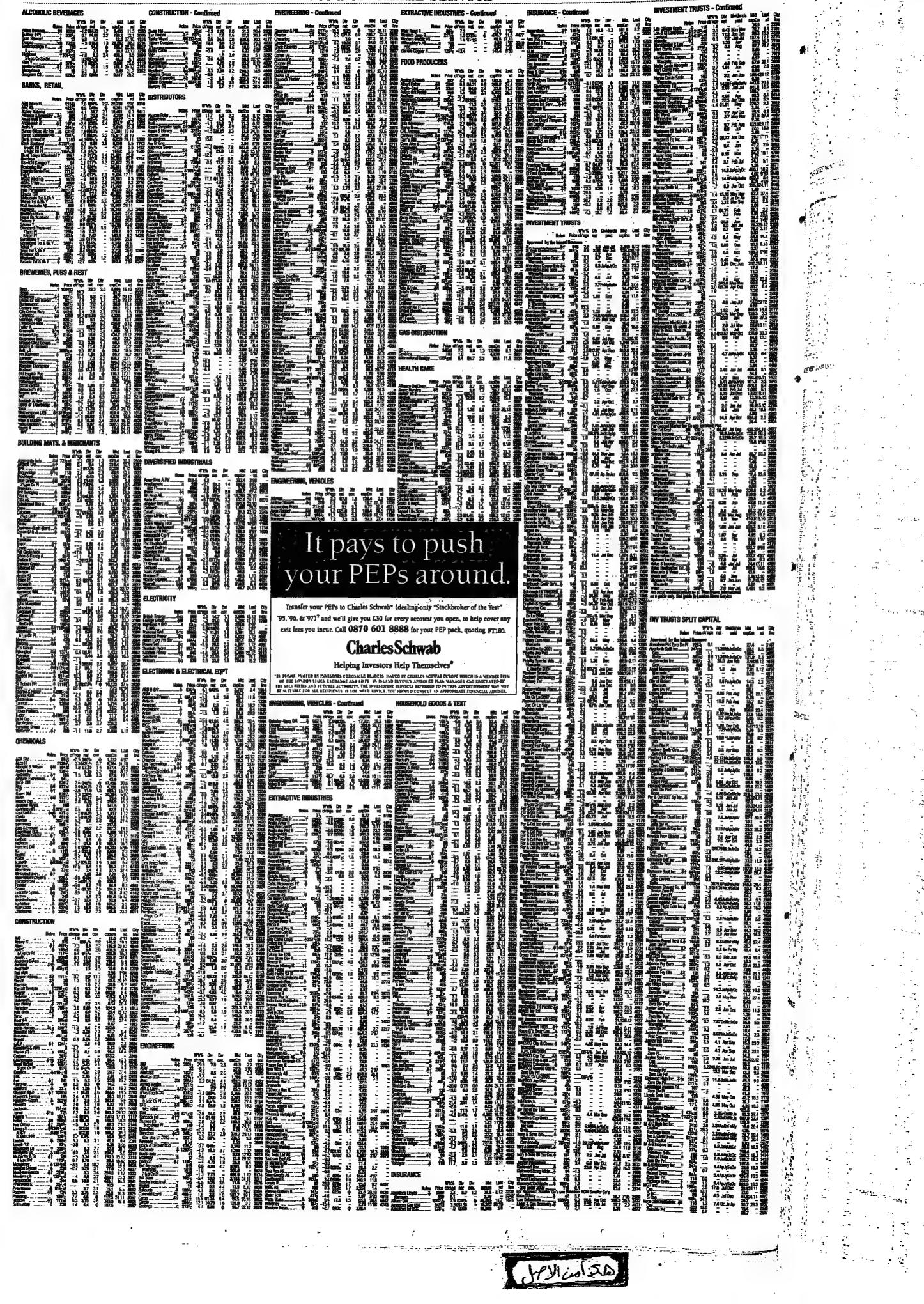
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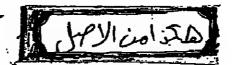
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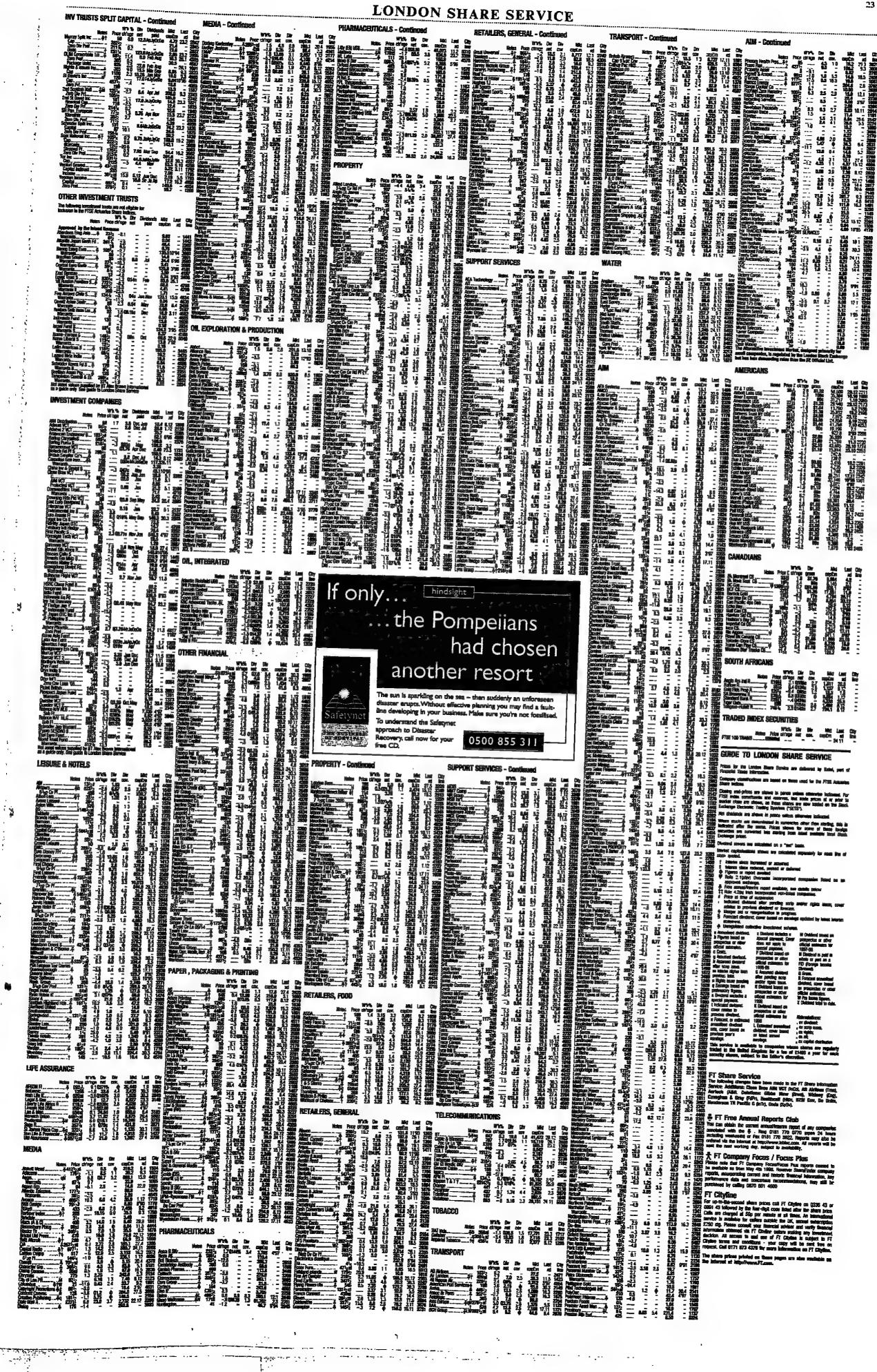
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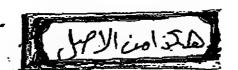








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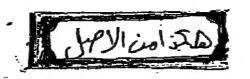
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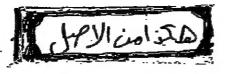
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## MONDAY 25

## Swiss history

Switzerland publishes its first detailed report on its gold transactions during World War 11. The sums of money involved are already well known, but the 200-page report by a panel of international historians, led by Professor Jean-François Bergler, will attempt to assess the motivation of the Swiss authorities at the time and shed light on questions such as Switzerland's role in prolonging World War II by financing the German war machine. If the report is particularly critical it could increase the pressure on the big three Swiss banks to make a sizeable and speedy settlement of the multibillion dollar class actions they are trying to resolve in the US. It may also provide ammunition for US lawvers who are keen to launch a similar class action against the Swiss National Bank, which handled the bulk of the gold actions with Nazi Germany.

## Spanish trial

The trial begins in Spain's supreme court of former interior minister José Barrionuevo and 11 others over the "dirty war" carried out against Basque terrorist suspects in the mid-1980s. They are all charged in relation to a Iddnapping In 1983, the beginning of a four-year campaign by the so-called Anti-Terrorist Liberation Groups (Gal), which killed more than 20 people in south-west France. The accused include eight police officers, two former top security officials and a former local Socialist party chief. Public prosecutors are seeking jall sentences totalling 178 years.

## North-south view

South African President Nelson Mandele and Jose Ramos Horta, the East Timorese Nobel Peace Prize winner, are among invited speakers at the North-South Conference for Sustainable Development (to May 29) in Berne, Switzerland.

## Agenda 2000 discussed

European Union foreign ministers in Brussels will hold their first detailed discussion on the Agenda 2000 programme of EU reforms, in preparation for next month's EU summit in Cardiff. They will also discuss attempts to improve relations with Turkey, and preparations for an association council with Turkey due to take place in the evening - but still uncertain to go ahead, amid objections from Greece to the terms of the discussions. Ministers are likely to reiterate the EU's condemnation of India's nuclear tests and discuss future relations with the sub-continent, plus the possibility of upgrading relations with Pakistan in an attempt to persuade it not to carry out its own tests. They will give their first response to last week's deal over the US Heims-Burton and Iran-Libya sanctions laws, as well as discussing the deadlock in the Middle East peace process.

# CAP reform thoughts

European Union agriculture ministers will be discussing reform of the Common



nese Emperor Akihito is to receive one of Britzin's most coveted decorations from the Queen this week amid continuing protests by former prisoners of wa

Agricultural Policy when they hold their monthly meeting in Brussels. The UK presidency of the union is preparing a tatement summarising ministers' late thoughts on reform for the heads of state summit in Cardiff next month. Specific conclusions are unlikely.

## Opec preparations

The board of governors of the Organisation of Petroleum Exporting Countries meets in Vienna to draw up an agenda for the group's summer ministerial conference which will be held on June 24. Opec technical experts are scheduled to meet on June 15 ahead of the conference and the four-man monitoring committee on June 23.

## Balkan forum

Tirana hosts a two-day Balkan forum aimed at boosting economic development in the troubled region; the US-inspired Southeast Europe Co-operation initiative (SECI) was set up In 1996 to foster economic relations among Balken states and help them Integrate Into European Union structures.

The French Open is played out in Paris until June 7.

# Holidays

UK, Ukraine, Jordan, Mauritania, Zimbabwe, Argentina, US, Venezuela.

# TUESDAY 26

## Imperial visit

Japanese Emperor Akihito and Empress Michiko arrive for their state visit to Britain as part of a European tour. The emperor is to be presented by Queen Elizabeth with the Order of the Garter and the imperial couple will lay a wreath at the tomb of the unknown soldier in London; former British prisoners of war and internees of the Japanese plan a demonstration in front of the Japanese embassy to demand a full apology and what they consider appropriate compensation for their sufferings. Embassy officials point out that the issue of compensation was settled legally under a treaty of 1951 and that Japan has made a full and unequivocal apology,

## Transport agenda

A two-day European Union transport ministers' conference opens in Copenhagen; the agenda includes railway policy, modern technology, investment and road transport.



Statistics to be released this week

## Sweet talking

The current state of the world's sugar industry will be discussed at a ministerial meeting in Havana of the international Sugar Organisation, made up of the world's leading producers and consumers. Prospects for leading producers and import projections by major consumers, as well as the effects of cane sugar substitutes on the market, will be discussed by the ministers, technocrats and scientists. Thirty four countries will be represented, but Cuban officials could not say whether the US, a major consumer, will attend.

## Indonesian debt round

Deutsche Bank hosts the next round of talks on the rescheduling of Indonesian debt in Frankfurt. Deutsche, Bank of Tokyo-Mitsubishi (ETM) and Chase Manhattan co-chair the steering committee representing banks at the talks, indonesia and its creditors failed to reach agreement in their last round of talks in Tokyo on May 10 to reschedule \$80bn in private sector debt.

## Up for sail

FT Survey

Brazilian Privatisation.

The world's largest cruise ship, the 109,000 tonne Grand Princess, begins her maiden voyage from Istanbul to Barcelona; she boasts five swimming pools, nine restaurants and 1,300 cabins.

# Greek stoppage

put to the meeting.

Holiday

Georgia, Turkey.

**WEDNESDAY 27** 

African bank meeting

per cent and give non-African

to increase the capital of the bank by 35

shareholders more voting powers will be

Greece's biggest labour confederation, GSEE, calls a 24-hour nationwide strike to protest against the socialist government's privatisation plans.

## THURSDAY 28

# Experts on debt

Benk of England governor Eddle George and Guillermo Ortiz, his counterpart at the Bank of Mexico, are among spea at a London conference enranged by Foreign & Colonial Emerging Markets crisis from the viewpoint of both lenders and borrowers and contrast its corporate roots with the government borrowing

basis of Latin American debt problems. Contact 0171 831 3113.

## Nato-Russia talks

North Atlantic Treaty Organisation foreign ministers meet their counterparts from Russia and Ukraine for talks in Luxembourg.

## Danish referendum

Denmark holds a referendum on revisions to the European Union's Amsterdam treaty which would pave the way for EU enlargement eastwards and a common policy on refugees and asylum.

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## Bear facts



Airlines jet with a teddy bear which he claimed contained a bomb goes on trial in Diyarbakir, Turkey.

## Holidays

Armenia, Azerbaijan.

## **SATURDAY 30**

Chirac goes to Beirut French president Jacques Chirac visits Lebanon to attend the inauguration of the rebuilt French ambassador's residence in Beirut, which was badly damaged during the Lebanese civil war.

## FT Survey Guide to Unit Trusts (UK editions only).

# Holidays

Up to 1,700 delegates are expected to attend the annual meeting of the African Hong Kong, Talwan, Croatia. Development Bank which opens in Abidjan and continues until Friday. A plan

## **SUNDAY 31**

## Ecuadorians vote

Ecuadorians vote in the first round of presidential elections. The most likely candidates to go through to the second round on July 12, opinion polis say, are Quito's mayor Jamii Mahuad, of the centre-right Popular Democracy party, and businessman Alvaro Noboa, backed by former President Abdala Bucaram. With a new president in office for a four-year term, Ecuadorians hope the elections will help end a period of political instability. Voters will also pick a new congress to sit for four years efter a recent constitutional reform abolished miki-term elections,

# **Holidays**

Notice to Noteholders of

**U.S. Office Products Company** 

5%% Convertible Subordinated Notes due 2003

of a distribution on the common stock of

**U.S. Office Products Company** 

U.S. Office Products Company, a Delaware corporation (the "Company"), pursuant to Section 15.10 of the Indenture between the Company and The Chase Manhattan Bank as Trustee, dated May 22, 1996 (the "Indenture"), hereby notifies the holders of its 5½% Convertible Subordinated Notes due 2003 that:

of its 54% Convertible Subordinated Notes due 2003 that:

(1) The Company intends to distribute to each holder of its common stock, per value U.S. \$.001 per share (the "Common Stock"), shares of common stock of four separate companies currently owned by the Company. The distribution ratios are as follows: one share of common stock of Aziec Technology Permers, Inc. for each 5 shares of Common Stock; one share of common stock of Navigant International, Inc. for each 10 shares of Common Stock; one share of common stock of School Speciaty, Inc. for each 9 shares of Common Stock; and one share of common stock of Worldow Management, Inc. for each 7.5 shares of Common Stock.

(2) The record date for such distribution is expected to be June 9,1998.

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PARTE SERVE TO AN ARCHITECTURE OF THE COLUMN THE COLUMN

May 25, 1998

Compiled by Roger Beale Fex 44 171 873 3196

# ECONOMIC DIARY

# Other economic news

Monday: The New Zealand Reserve Bank's monetary policy statement should sanction an easing in monetary conditions. Tuesday: US existing home sales should have eased in April, while consumer confidence is thought to have dropped a little in May. Household consumption in France is thought to have nsen in April following two consecutive falls. Wednesday: Japanes industrial production should have continued declining in April as companies ran down stocks, but large retailers should post their first rise in sales since taxes went up. Thursday: The Confederation of British Industry's monthly trends survey will show whether UK manufacturers have taken comfort from sterling's recent decline. US first quarter GDP growth may be revised upwards slightly. The Bundesbank is expected to keep interest rates on hold. Friday: The UK's trade deficit should have fallen back in March, reflecting a smaller non-EU deficit, but the underlying trend should still be worsening. French employment probably rose again in April.

Day Released	Country	Sements Startistic	Median Forecast	Previous Actual	Day Released	Country	Economic Statistic	Median Forecast	Previous Actori
Monday	Japan	Apr supermarket sales**	N/A	-10.7%	May 29	Japan	Apr consumer price index** (netion)	0.4%	2.2%
May 25	Japan	Apr department store sales**	N/A	-20.8%		Japan	Apr construction orders?	.N/A	4.7%
	Germany	Apr producer price index*	0.2%	-0.1%		Japan	Apr housing elects**	10.5%	-11.9%
	Germany	Apr producer price index***	0.5%	0.6%		Japan	Apr construction starts**	N/A	12.4%
Tuesday	France	Apr household consumption;"	2.0%	-0.1%	-	Italy	Mer EU trade balance	10.6tn	LO.2br
May 26	US	BTM-Schroders May 23	N/A	1.2%		Italy	Apr ex-EU trade balance	L3.9tn	L4.6tn
	US	Apr existing home sales	4.70m	4.89m		UK	Mar global visible trade	-£1.5bn	-22.2bn
	US	May consumer confidence	185.3	136.7		UK	Apr ex-SU visible trade	-£1.25n	-£1,15n
	Japan	May trade balnos (first 10 days) not?	N/A	-Y43bn		UK .	Apr EU harmonised constrptice indx:	N/A	1.6%
Weds	France	Mar trade balancer	FFr13.7bn	FFr13.9bn		US	Apr personal income	0.3%	0.3%
May 27	Japan	Apr industrial productions	-2.5%	-2.3%		US	Apr personal consumer expenditure	0.5%	0.5%
	Japan	Apr shipments?	NA	-1.4%		US ·	May Chicago PMI†	58.0%	56.6%
	Japan	Apr retail sales**	6.1%	·14,9 <del>%</del>		US	May Michigan Sentiment finat",	105.5.	105,2 : .
Thurs	Japan	Mar colnaident index	10.0%	25.0%		US :	May agriculture prices	N/A	2.9%
May 28	Japan	Mar leading differential index	30.0%	22.2%	During t	he week.			
	UK	May CBI industrial trends	N/A	N/A		Germany	Apr loon consumer climate	N/A	101
	US	Apr durable orders	0.5%	0.4%		Germany	.Apr import prices*	0.0%	-0.6% :
	US	Apr durable shipments	N/A	1.4%		Germany	Apr import prices	-0.3%	-0.5%
	US	Q1 GDP preliminary	4.4%	4.2%		Germany	May Hesse cost of living	N/A	0.3%
	US	Q1 GDP chain price index	0.9%	0.9%		Germany	May Bayerta cost of living*	N/A	0.2%
	US	Initial claims May 23	310k	313k		Germany	May B Waer cost of living*	N/A	0,3%
	US	State benefits May 23	N/A	2107k		Germeny.	May Nord Phine Westpills cost of Ity	N/A	0.1%
	us	O1 after tax corporate profit prefim	0.5%	-2.3%		Germany ,	May prel cost of thing west	0.3%	0.3% ,
	Canada	Apr department store sales**	11.8%	12.4%		<b>Септалу</b>	May prel cost of living" west	1.296	1.4%
Fn	Japan	May consumer price index** (Tokyo)	0.5%	0.7%	frankli on mo	min, "year on	year, teasecrafy adjusted Statistics,	courtesy Standard	& Poor's MAS

## **ACROSS** 1 He is responsible for deliv-

- ery of course (6) 4 Rush out at speed round Maidenbead (8)
- 9 I. for instance, could be the 10 Straddle the finest horse (8) 11 Quarrel over your old fash-
- ioned notability (6) 12 Getting rid of new move in operatic sequence (8)
- 13 Used to be, when wife came first (3) 14 Take offence at money paid
- to house stock exchange (6) 17 Vehicle reversed into
- m-mountain? Another one will pull it out (7)
  21 Hint about container for
- vegetable (6)
  25 Boring routine found back in 21 (3) 26 One who brings forward
- 28 I'm our MEP, negotiating 23 for a trading centre (8)
- tor a training rentre (8)

  30 Cloudy weather at boring stretch of water (8)

  31 Private words on a second date (6)

  12 Comes back again, being concerned about the dogs
- 1 Shabby, but fit to be used as a cover (8)

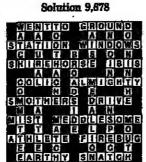
  2 Dividend comes from being at home on new street (6) 3 One who never forgets the penal settlement (8)

  a He's met the revolting sub-
- jects (6) 6 Way of acting hot and bothered in the sea (6)
  7 Bring out lawful support for third amendment (6)
  8 Green revolution takes on the sea of the sea of
- 12 Bitterness at having man-aged only two thirds of the course (7) 15 Test score (3) 16 Firm time for bed (3)

youth leader's vigour (6)

- 15 Ordered to rest up after game breaks (8)
  19 imprisoned doctor and journalist (8)
- new cure after gentle 20 Awful spite about the shove (8) awful names (8) 27 Give proof at cricket match 22 Become more extended feast (6)
  - Force leading lady to come round the piano at the

Winner of Puzzle No.9,678: D. Westhoff, Cham, Switzer-



## MONDAY PRIZE CROSSWORD No.9,690 Set by ADAMANT

A magnum of Laurent Perrier Rose champagne for the first correct solution opened. This prize is available only to winners living in England, Scotland and Wales, Winners with oversess addresses will receive a stainless steel FT deak clock. Solutions by Thursday June 4, marked Monday Crossword 9,890 on the arrestope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday June 8. Please allow 25 days for delivery of prizes.

